▶ Data-driven Strategic Workforce Management

How to ensure the future readiness of the workforce in an organization

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INSIGHTS

//01

Between 2020 and 2030 the global labor deficit will more than triple, posing huge challenges for all industries

//02

The workforce is becoming a top priority for CEOs and offers an immense opportunity for HR to act as a strong strategic partner

//03

Implementing strategic workforce management is a key differentiator for future success

WHY

strategic workforce management matters

Transformation speed

The work environment is changing with tremendous speed: new trends influence future collaboration, and not least the COVID-19 pandemic triggered revolutionary transformations in digitalization and an attitude shift towards remote work solutions in most companies. Talent availability in countries is not a given and can change unexpectedly for the worse. Moreover, the evolution of business models and technological breakthroughs will lead to newly required profiles and skills in the future. This will particularly affect those industries relying on highly skilled workers with extensive knowledge in specific areas. CHROs will have to act quickly to master these new challenges.

MEGATRENDS ARE SHAPING THE FUTURE

Shedding light on the underlying root causes for these challenges, the University of Sydney Business School has identified business megatrends with an effect on the workforce.[1]

Three megatrends in particular – demographic change, impactful technology, and amplified individuals – are most relevant to strategic workforce decisions and thus require closer scrutiny:

A shifting population

Over the next years, the overall workforce will be subject to radical demographic change. Germany in particular will experience a significant impact on ways of working and employee demands. For example, the baby boomer generation, with nearly 30 percent of the current workforce (12.9 million workers), will have retired by 2036 and cause a massive talent shortage.[2] In 2030 alone, half a million more workers are expected to retire than new ones will enter the labor market.[3] Globally, a deficit of 85.2 million workers in key economies is expected, greater than Germany's entire population (Figure 1).[4]

More specifically, the shortage of skills is also a major concern. For Germany, although the immigration rate of skilled workers is continuously increasing, the influx is far from sufficient to meet the demand for workers with specific skills in Germany.[5] In 2022, shortage of qualified talent has been reported as the second most reported risk (56 percent) in the coming months directly after energy and resource prices (82 percent).[6]
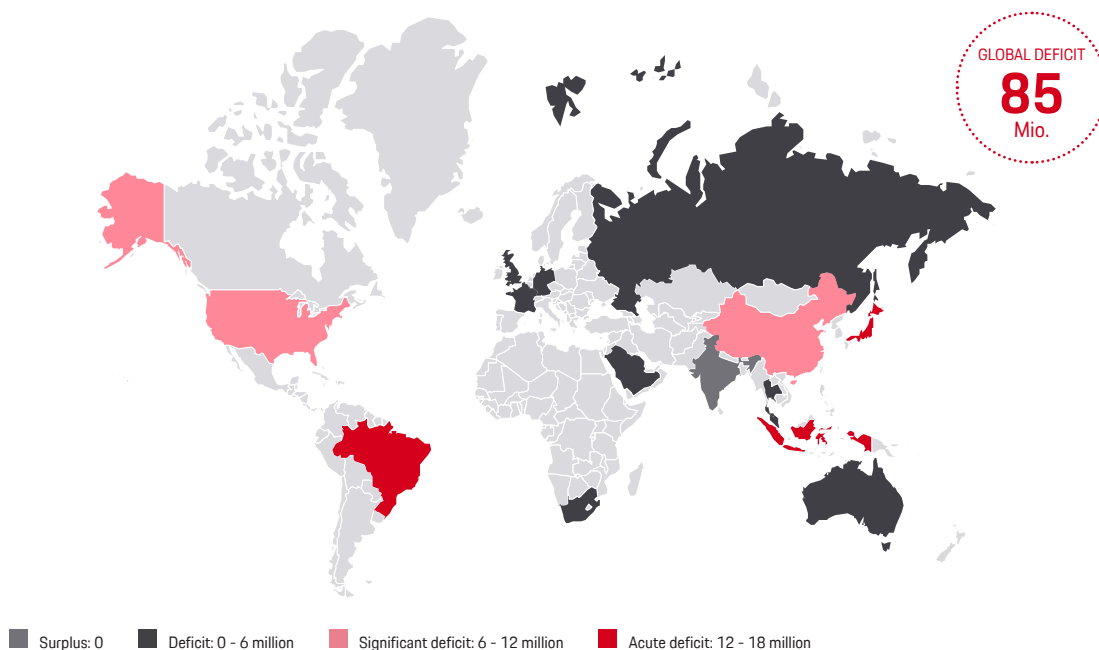

GLOBAL DEFICIT
85
Mio.

Surplus: 0   Deficit: 0 - 6 million   Significant deficit: 6 - 12 million   Acute deficit: 12 - 18 million

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Fig. 1. Expected total global talent deficit of 85 million workers in 2030. Source: Korn Ferry

Impactful technology

Living in a connected world in which 90 percent of data have been created within the past two years shows the immense impact of technology.[7] As a vivid example, the popular ChatGPT chatbot had an estimated 100 million active users just months after its launch, marking the fastest-growing user base of a consumer application.[8] Overall, the technology adoption of big data, cloud computing, and artificial intelligence remain key priorities for organizations, and topics like encryption and cybersecurity, digitalization of commerce and trade, and platforms and apps are of highest interest.[9] Thus, the strong focus of CEOs on productivity improvements through technology and automation results in the disappearance of jobs.[10] The World Economic Forum showed that not only are administrative tasks being taken over by machines but complex activities, reasoning, decision-making, and communicating are affected as well. While tasks are automated, technological advances generate new work and technological change leads to new kinds of work. In their latest report, the World Economic Forum (2023) analyzed for which technologies a positive or negative impact of technology adoption on job creation is expected until 2027. Figure 2 highlights those technologies that are seen positive (job creator) or negative (job displacer) by most organizations, indicating an overall positive effect of technology adoption on jobs.[11]
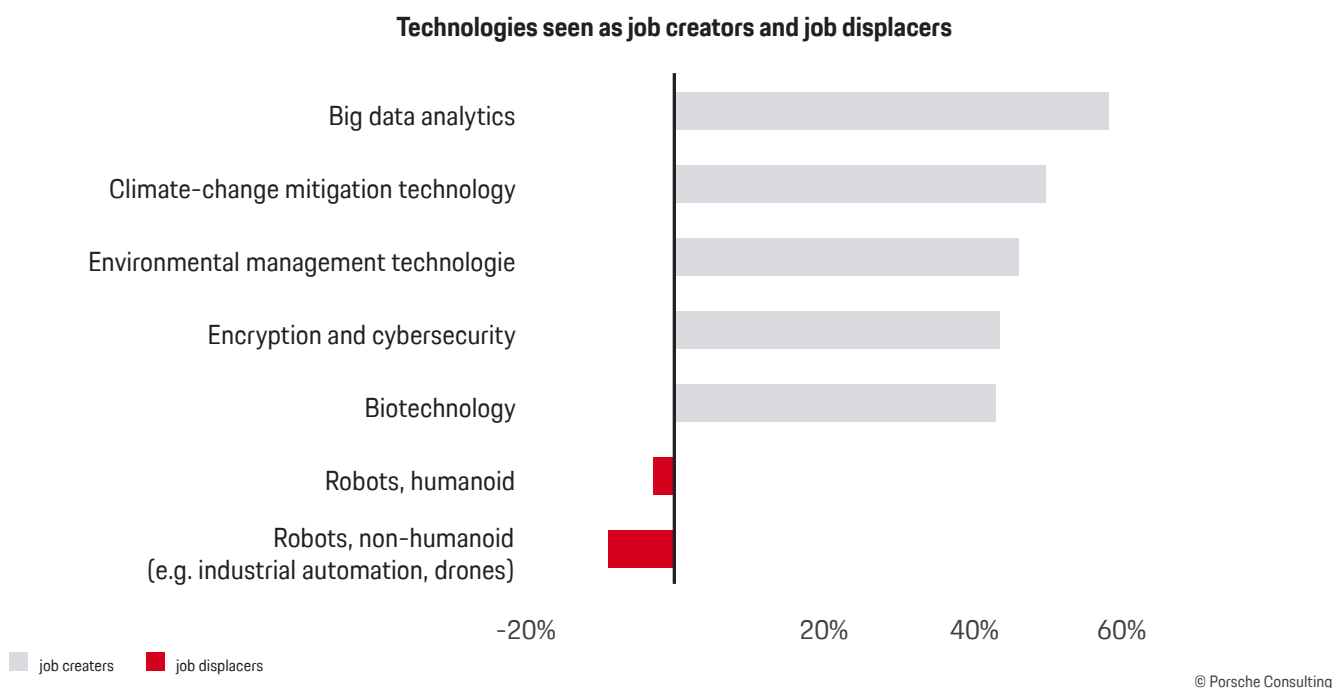
Technologies seen as job creators and job displacers

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Fig. 2. Expected job impact due to adoption of selected technologies (2023 until 2027). Source: World Economic Forum

That being said, this change can only be driven by skilled resources. Currently, a skill shortage of 4.3 million workers is expected in 2030 for the all-important technology sector, with India being the only country expecting a skilled labor surplus.[12]

Technology is also an enabler to strategically analyze and plan their workforce, taking advantage of the power provided by analytics (see Enabler 3: DATA & TECHNOLOGY). For example, HRForecast as an HR tech provider helps companies to build a skilled and future-proof workforce through data-driven insights from the global labor market and a strategic workforce planning and skill-management approach.[13]

Amplified individuals

Information is consumed totally differently than in the past, and a customized experience is expected in private as well as in professional life.[14] Social connectedness leads to an increasing exchange of ideas, talents and good within science, business, and civil societies and thus to a collective power to engage globally distributed people.[15] This can also generate impact on the overall perception of an employer, and public rankings are already common. Moreover, research shows that more than 75 percent of HR leaders agree that the experience has become more important to employees during the past 12 months.[16] Thus, when companies think about an attractive employee journey this trend influences the design of the different stages from recruiting to retention and considers also opportunities for freelancers in a growing gig economy.[17]

OUTLOOK ON THE FUTURE WORKFORCE

The described megatrends accelerate the pace of change required to capture a moving target to gain skills transparency on jobs that had not yet been in existence nor even imagined years ago.[18] Thereby, reskilling becomes more relevant when job profiles change and employees need to broaden their skillset for future positions, whereas upskilling deepens the specific expertise within existing job profiles.

According to the World Economic Forum (2023), employers anticipate a structural labor market churn of 23 percent of jobs between 2023-2027. They have analyzed the fastest growing and declining jobs across industries as a proportion of the existing labor force. Most fastest growing jobs are in technology and AI; machine learning specialists, sustainability specialists, and business intelligence analysts are on top of the list. The fastest declining jobs include clerical or secretarial roles, which are being replaced by technology; these include bank tellers and related clerks, postal service clerks, cashiers, and ticket clerks (Figure 3). In addition, top five skills with increasing importance in the next five years are highlighted in Figure 4. These skills are also highly prioritized for upskilling/reskilling strategies in companies.[19]

FASTEST GROWING JOBS	FASTEST DECLINING JOBS	SKILLS WITH INCREASING IMPORTANCE
01 AI and machine learning specialists	01 Bank tellers and related clerks	01 Creative thinking
02 Sustainability specialists	02 Postal service clerks	02 Analytical thinking
03 Business intelligence analysts	03 Cashiers and ticket clerks	03 Technological literacy
04 Information security analysts	04 Data entry clerks	04 Curiosity and lifelong learning
05 Fintech engineers	05 Administrative and executive secretaries	05 Resilience, flexibility and agility

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Fig. 3. Top five fastest growing and declining jobs across industries until 2027. Source: World Economic Forum

Fig. 4. Skills with increasing importance until 2027. Source: World Economic Forum

HRFORECAST INSIGHTS ON THE CHANGING WORK ENVIRONMENT:

How has the business environment changed?
The most fundamental change in the business world over the past ten years has been in the realm of employee management. The pandemic has changed the world of work forever. Millions of people and businesses worldwide moved overnight from working in the office to working from home and from interactions that occurred mostly in person to interactions that mainly occurred online. With remote work picking up pace, organizations had to break out of predictable ways of working and reconfigure existing routines.

Additionally, more organizations are running global businesses today, leading to managers managing employees across various business functions, product lines, cultural backgrounds, etc. All these changes demand a flexible and effective HR management style and strategic workforce planning.

Which key responsibilities do you see with HR in the future?

▶ Focus on employee recruitment, training and development, disciplinary processes, and finding ways to align employees' and the company's goals

▶ Use tools and technologies to help employees reduce workload and improve efficiency

▶ Plan what skills will be needed in the future regarding quality and quantity

CEOs DEMANDING ANSWERS FROM THEIR CHROs

Based on all these challenges, companies have understood that there is a strong link between people and the organization's performance – and that HR is thus crucial to business success.[20] Therefore, it is not surprising that the topic "workforce" is among the top three high priorities for CEOs.[21] CEOs are looking at their CHRO and the entire HR organization to answer their key strategic questions regarding the future workforce, as HR is an important partner to analyze business-critical capabilities and derive impactful measures on a global scale. Thereby, HR can increase its business impact by up to 60 percent in organizations that have Strategic Workforce Management (SWM).[22] To achieve this positive influence, the processes and mindset need to be future-ready and CHROs see their responsibility for this transformation.

The following will describe how to best approach these strategic questions based on three essential pillars.

Key Questions

Which business-critical talent and capabilities does our strategy and business model require in the future?

If there is a gap: Is our workforce well prepared for the future? Where can we find skilled talent with critical capabilities in the market?

How can we achieve maximum synergies between business units on a global level?

HOW

to make the workforce future-proof

Three essential pillar

To be best prepared for these trends and challenges and to stay relevant in the market, future-proofing the workforce has undoubtably become a must-have for organizations. A successful strategic workforce transformation can only take place if three essential pillars are considered:

First of all, this type of workforce management is a highly strategic undertaking that requires a strong STRATEGIC focus to take industry trends and the corporate strategy into account. It is all about the WORKFORCE. Therefore, the second pillar includes all relevant process steps, from analyzing workforce supply and demand and required capabilities to agreeing on the right measures. The third pillar should not be underestimated: Setting up a strategic workforce management approach means a TRANSFORMATION for the organization as new responsibilities occur in the business as well as in HR. Therefore, not only processes but also mindsets need to change. The following section will dive deeper into these three pillars as highlighted in Figure 5.

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Fig. 5. Three essential pillars on how to build the workforce of the future.

STRATEGIC

Industry trends: Specific challenges for different industries

Strategic workforce management, as one of the most relevant strategic business topics and a systematic approach to avoid workforce bottlenecks with a systematic approach, must consider market developments and industry-specific talents and skill shortages. Every industry faces its specific challenges, and the increase of knowledge-intense jobs requires respective specialized employee skills for tasks that cannot be done by everyone. With the overall expansion of tech, the worker gap continues to grow.[23]

As illustrated, this also affects the growing life sciences industry and in pharma & chemicals. Moreover, an overall >60 percent demand increase of IT jobs could already be observed between 2018 and 2021.[24]

EXCURSUS: Talent shortage in life sciences

Life sciences can be described as a conglomerate of branches operating in a range of fields — including pharmaceuticals, biotechnology, medical devices, diagnostics, and healthcare services — which focus on improving health and life through the development and manufacturing of products and services related to healthcare, medicine, and biology. Characterized by its research and technology intensity, this knowledge-based and science-driven industry requires highly skilled employees.[25] Life science professionals carry the immense responsibility of finding innovative solutions to urgent global challenges, meeting stakeholders' demands, and remaining competitive while adapting to rapid-pace changes in the industry landscape.

COVID-19 and environmental challenges have brought the critical role of life sciences to the forefront, making it a top priority for governments. The industry is characterized by a high speed of change and increasing complexity of work, which requires anticipating future scenarios, quick reactions, and ramping up expertise to address emerging challenges. However, a key challenge certainly resides in the difficulty of anticipating future scenarios, developing strategies, and scaling up cost-intensive production while considering regulatory processes that may restrict implementation plans.

Its overall strong research and development focus results in the need of specific subject matter expertise, e.g., as process engineers, regulatory affairs specialists, medical writers, biologists, immunologists, and geneticists. Moreover, a significant acceleration of digital transformation requires a more data-driven approach, with digitalization and automation across the value chain. The increasing demand for technology-enabled solutions such as artificial intelligence, machine learning, and the Internet of Things in the life sciences industry has created a need for technological skills. Professionals in big data engineering, biostatistics, digital and data science are in extremely high demand, as they possess the necessary skills to use, monitor, and control these technologies. Thus, not only the pressure increases due to the immense impact of the problems to solve in the environment and society, but also the complexity of the infrastructure and equipment to be operated, intensified by the volume and speed of information to be processed. For pharmaceutical and the chemical industries, HRForecast has analyzed the roles highest in demand in R&D, IT, and commercial roles as illustrated in Figure 6.[26]

To communicate complex structures and collaborate in cross-disciplinary teams, social skills also become more important than in the past and are even seen as a predictor of career success in life sciences.[27]

In Europe, the expected growth of the pharmaceutical market (CAGR of 5.4 percent between 2021 and 2028) surpasses the average for all other industries.[28] Thus, the life sciences industry bluntly illustrates the urgency and need to not only recruit but to develop and retain the best talents. In addition, a flexible workforce model to quickly adapt to changes in demand market conditions by using freelancers, contractors, or outsourcing gives the flexibility to augment and retract the workforce as needed. Also, to stay competitive, strategic workforce management including a demand analysis and the design of meaningful measures to mitigate expected talent gaps are of major importance. For many jobs found in this industry a career goes far beyond the job itself; it connects to a greater life purpose and attracts and retains a large proportion of its employees. While the immutable value of improving health and quality of life remains the ultimate goal for life sciences, growth opportunities, development journeys, and competitive compensation will continue to be relevant pre-conditions to not only stay competitive but also to remain able to act and improve health and quality of life for all.

JOBS	2021 vs. 2018
R&D	
Immunology scientist	▲ 1,187%
Clinical trial coordinator (CRO)	▲ 597%
Laboratory automation biologist	▲ 544%
IT area	
Cloud platform engineer	▲ 1,000%
Big data architect	▲ 983%
IT network automation specialist	▲ 882%
Commercial roles	
Pharmaceutical sales rep	▲ 1,000%
Omnichannel sales rep	▲ 1,000%
Partner marketing manager	▲ 928%

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Fig. 6. Jobs in highest demand in the pharma and chemical industries (change in demand 2021 vs. 2018) Source: HRForecast

Corporate strategy: Prerequisite for sustainable impact

The corporate strategy as a long-term plan of a company to reach their business goals and stay competitive sets the direction for the overall people strategy and thus is also the prerequisite for a strategic management of the workforce. For strategy development, various methods can be utilized that consider future trends and general conditions, especially political, economic, social, technological, and legal issues, which then funnel into different likely scenarios upon which strategic decisions are based. The impact of these scenarios on the workforce can then be derived and incorporated in the people strategy to ensure sustainable, impactful measures are set up.

Strategic hypotheses: Top-down definition for validation

In general, the corporate strategy provides strategic insights typically considering information on the strategic targets and envisioned positioning as well as the products and technology road map on a planning horizon of at least three to five years. Strategic workforce management is driven by a meaningful set of strategic hypotheses developed from this strategy. They are defined top-down, starting with a holistic view of the company and then also deriving location and business function-specific strategic demands that are considered as crucial for the company's future success. This input is of highest relevance for the SWM analysis, providing the relevant data to validate the hypotheses. Exemplary hypotheses can be found in Figure 7.

STRATEGIC HYPOTHESES

01
Overall
Digital-related capabilities are growing in FTEs above average across all functions

02
Overall
Sustainability-related capabilities are growing above average in all business functions

03
Locations
Growth in low-cost locations with shift of production capabilities from high-cost locations

04
Locations
Region Asia is growing in FTEs above average in comparison to other regions, with a focus on India

05
Functions
Supporting functions are growing in FTEs below average

Fig. 7. Exemplary strategic hypotheses with impact on the overall company, locations, and functions.

Applying a clearly designed and synchronized process with five major steps to analyze the current and build the future workforce ensures reliable planning based on a sustainably implemented framework. While an initial higher implementation effort is needed to set up the process, the regular review of the planning process requires less time investment and gives the opportunity for further enhancements over time. It is clearly recommended to follow this process strongly aligned with business strategy planning and companies with more mature processes usually take advantage of this synchronization to ensure speedy decision-making while keeping the ability to handle off-cycle requests.

Step 1: Defining workforce needs
Once strategic hypotheses as assumptions of the future are derived from the corporate strategy, they can be detailed to define respective future workforce requirements and capabilities. Different key questions can be discussed with the strategy and business departments.

Key Questions

Which action fields exist based on future trends with people implications?

What is the ambition of growth? What are the implications for the workforce and in which time frame?

What does the M&A strategy look like? How does this translate to business priorities?

What does the location strategy look like and where are the right locations (region, country, cities) to invest?

Which business areas are of upmost strategic importance and what are the concrete implications?

Are transformation initiatives planned (areas of investment & disinvestment)?

Step 2: Assessing business-critical capabilities

Based on the input from step 1, business-critical capabilities with upmost strategic relevance are identified and assessed. In general, capabilities are structured by functions reflecting state-of-the-art value creation activities and job profiles. Corresponding competencies/skills can directly be linked or assigned to these aggregating capabilities (Figure 8). In addition to internal expertise, external data and market insights support the identification of required capabilities and potential gaps and predict their evolution over time. Capabilities can serve as valid foundation for the workforce analysis, or an existing mature job architecture can be used, detailed in chapter "Enabler 1."

Respective key business owners assess the capabilities on their strategic relevance and potential additional leading criteria like ownership advantage. As a result, transparency is gained on the importance of different capabilities for the company's success. Depending on the strategic scope, the capability assessment can be very broad (focusing on all business functions and their capabilities) or targeted (focusing on business functions with the greatest relevance for the strategic goals achievement). To get started, it is recommended to use a targeted approach and concentrate on not more than twenty capabilities for the assessment.
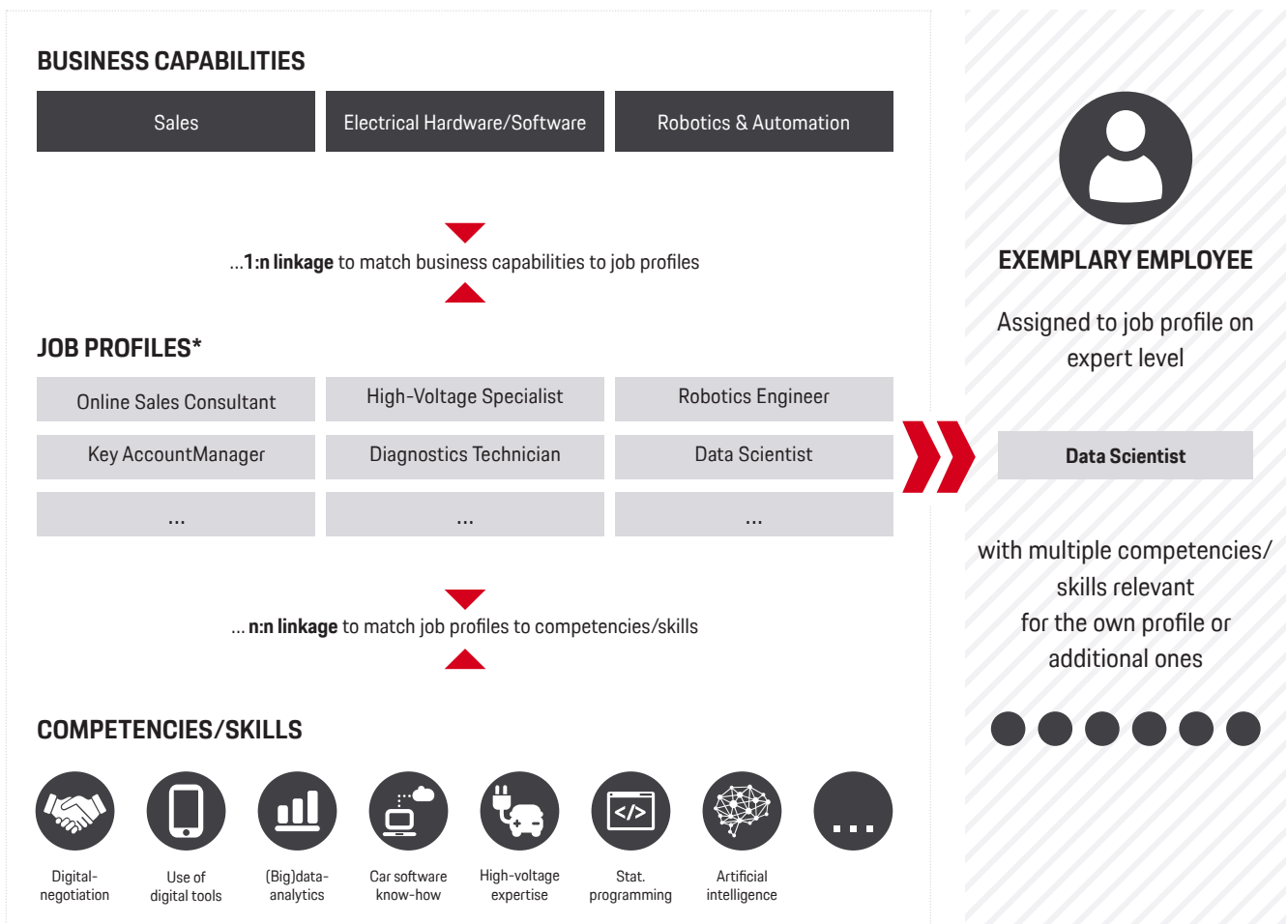
* Terms to be adapted to company-specific job architecture and job family structure (e.g., roles)

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Fig. 8. Structure of business capabilities, job profiles, and competencies/skills.

**Step 3: Quantifying as-is and to-be capabilities**
In a common effort, business, controlling, and HR responsible persons quantify the as-is workforce supply (do-nothing baselining) and future to-be workforce demand for capabilities and underlying skills, while a time frame of at least three to five years is required for a strategic outlook. Having a long-term perspective is of key importance for organizations with a mature SWM setup. If a growth or a reduction of workforce is required, detailed planning over the years helps to understand if gaps increase linearly over the years or in a specific period. Figure 10 highlights an exemplary quantitative capacity, capability, and cost planning overall and for different functions and countries.

In general, the analysis can result in different scenarios with different developments of the workforce gaps between supply and demand over time. Key scenarios are highlighted in Figure 9, including specific questions that need to be answered to design scenario-specific workforce tactics as described in step 4.

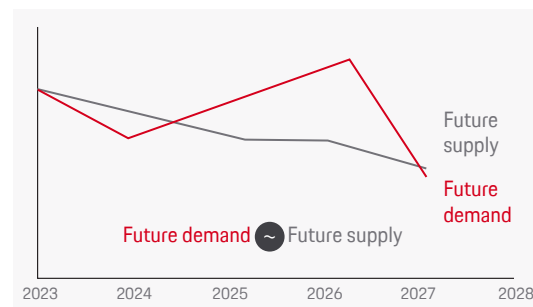**Scenario 1:**
Future demand > Future supply
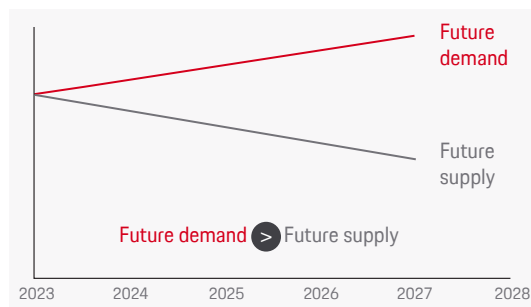
Exemplary questions
- How can we develop the right people into key positions?
- Where can we find the best talents in the market?
- How can we stay an attractive employer?
- How can we digitalize services to decrease the additional workforce need?
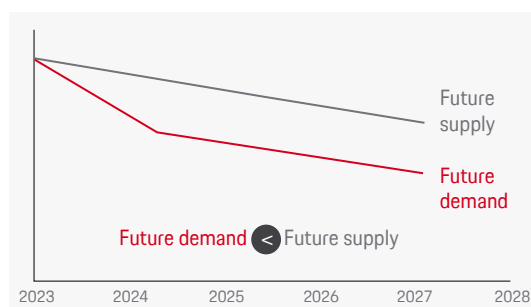
Scenario 2:
Future demand ~ Future supply

- How can we hire contingent workforce or resources from partners to cover the peak?
- How can we stay an attractive employer?
- How can we optimize or digitalize services to cover the peak?
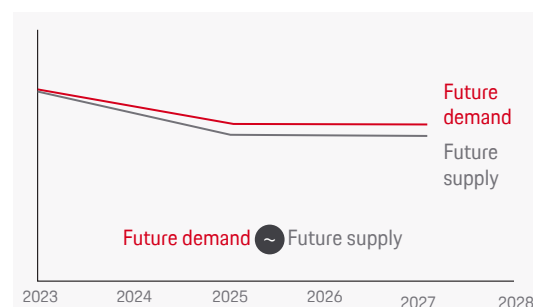
Scenario 3:
Future demand < Future supply

- Which alternatives are needed for the existing employees (reskilling to jobs in other functions, retirement programs, etc.)?
- How can we ensure retention of remaining needed employees?
- Can we digitalize all services to cover the entire workforce need?

Scenario 4:
Future demand ~ Future supply

- How can we ensure retention of employees?
- How can we optimize or digitalize services to meet the demand with the existing workforce?

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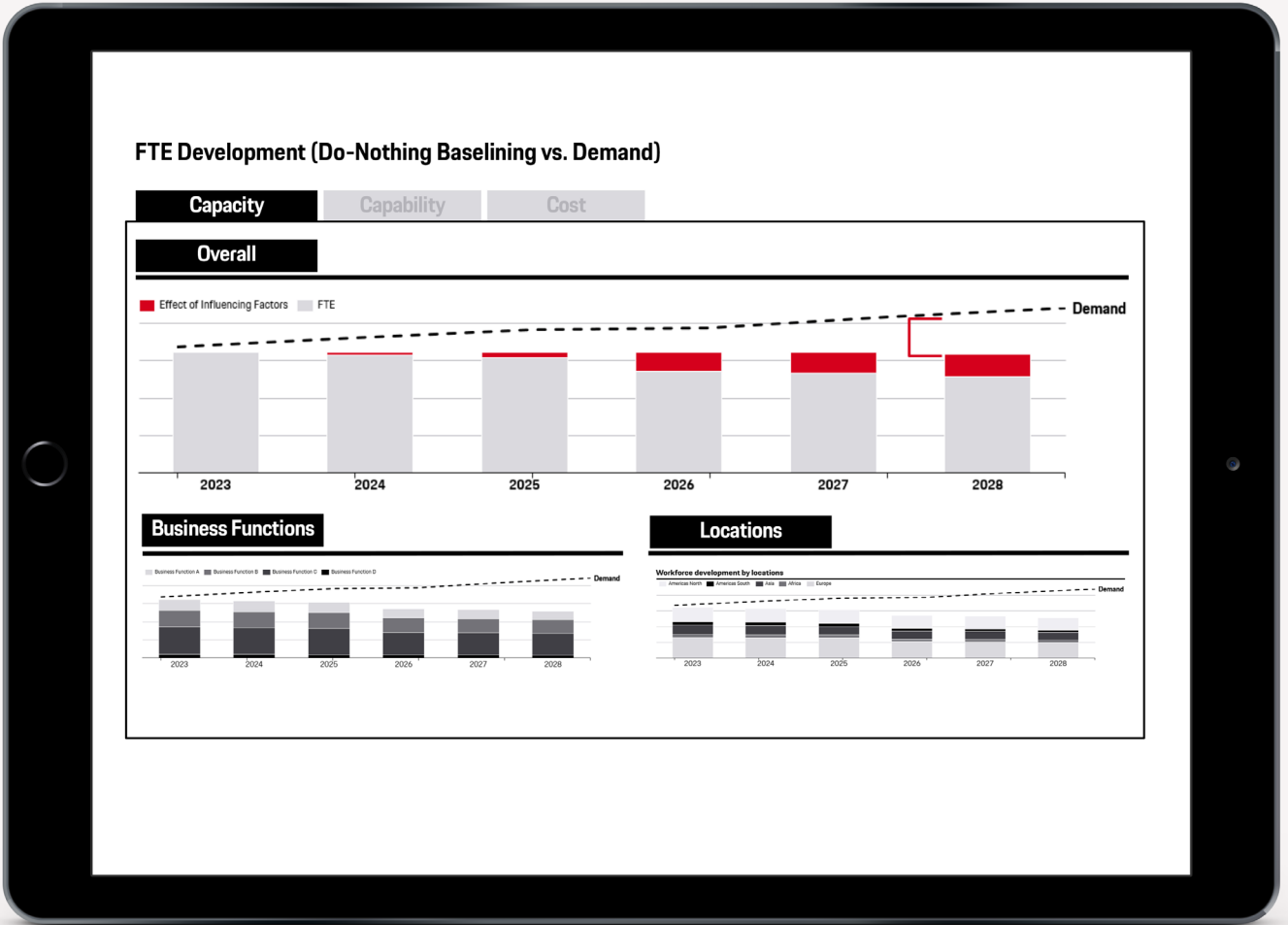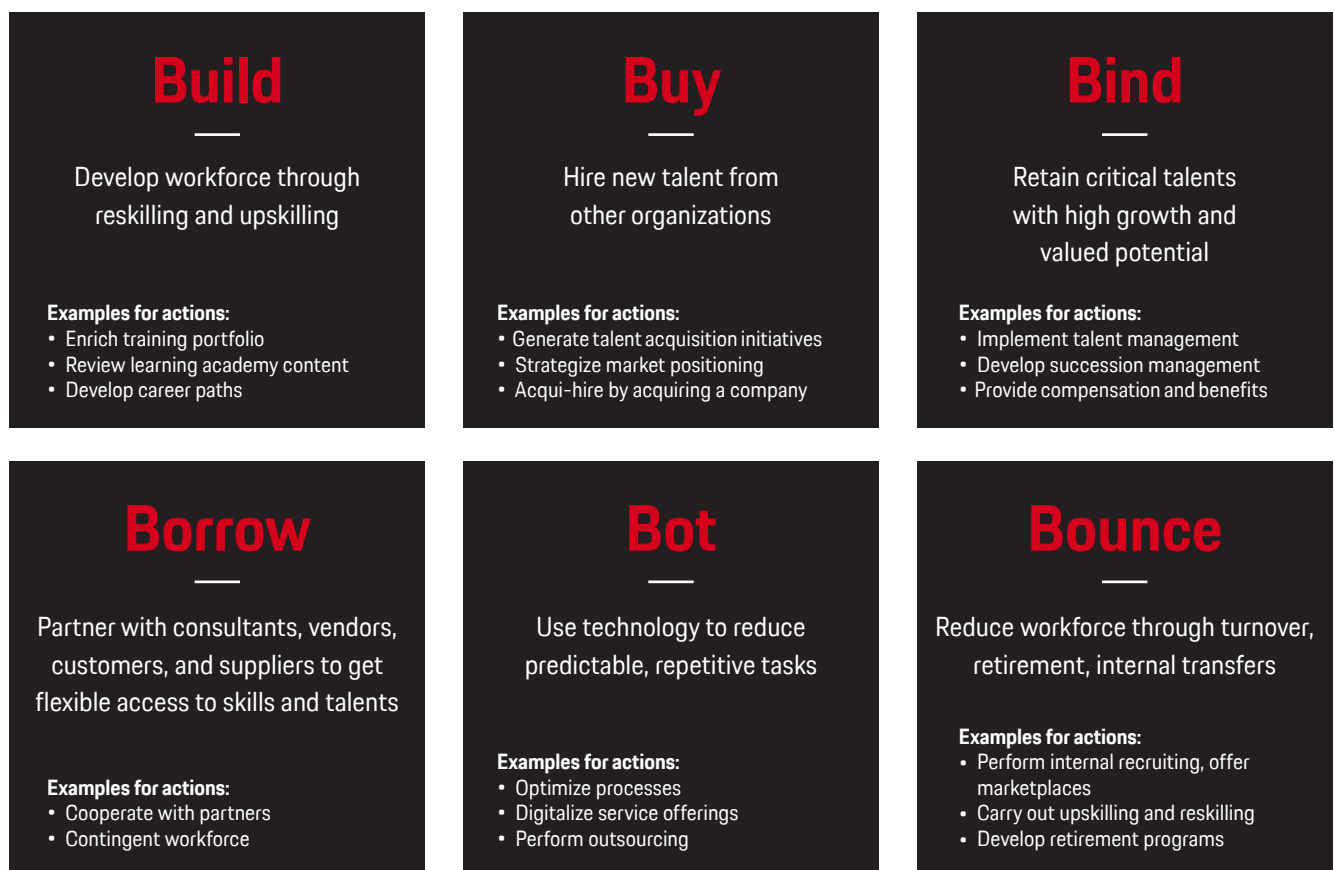**Fig. 9.** Exemplary workforce developments and questions to answer.

Fig. 10. Exemplary quantification of do-nothing baselining as-is workforce supply and to-be demand.

Step 4: Designing workforce tactics

Based on the analysis, overarching trends and patterns can be derived that help to design key strategic workforce tactics on different levels (especially global, local, business function-specific) that fit the specific requirements. These HR initiatives define orchestrated measures and actions to close the workforce gaps and realize the to-be state while allowing for synergies to scale the efforts. Figure 11 describes the key measures build, buy, bind, borrow, bot and bounce and exemplary respective actions.

Step 5: Deploying and adjusting tactics

Once the key measures with concretely prioritized and business-relevant actions are detailed, an implementation plan needs to be executed. As mentioned, the planning might need to be revised over time due to unexpected occurrences but once defined such adjustments can be handled with less effort. Furthermore, HR priorities and the road map for further HR portfolio enhancements can be derived from defined strategic actions.

Build

Develop workforce through reskilling and upskilling

Examples for actions:
- Enrich training portfolio
- Review learning academy content
- Develop career paths

Buy

Hire new talent from other organizations

Examples for actions:
- Generate talent acquisition initiatives
- Strategize market positioning
- Acqui-hire by acquiring a company

Bind

Retain critical talents with high growth and valued potential

Examples for actions:
- Implement talent management
- Develop succession management
- Provide compensation and benefits

Borrow

Partner with consultants, vendors, customers, and suppliers to get flexible access to skills and talents

Examples for actions:
- Cooperate with partners
- Contingent workforce

Bot

Use technology to reduce predictable, repetitive tasks

Examples for actions:
- Optimize processes
- Digitalize service offerings
- Perform outsourcing

Bounce

Reduce workforce through turnover, retirement, internal transfers

Examples for actions:
- Perform internal recruiting, offer marketplaces
- Carry out upskilling and reskilling
- Develop retirement programs

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Fig. 11. Key measures with exemplary actions for an SWM implementation plan.

A sustainable SWM setup requires more than the process itself. The consideration and implementation of enabling factors are of key importance for a successful transformation and it can be distinguished between the four enablers job architecture, organization and roles, data and technology, and governance and community.
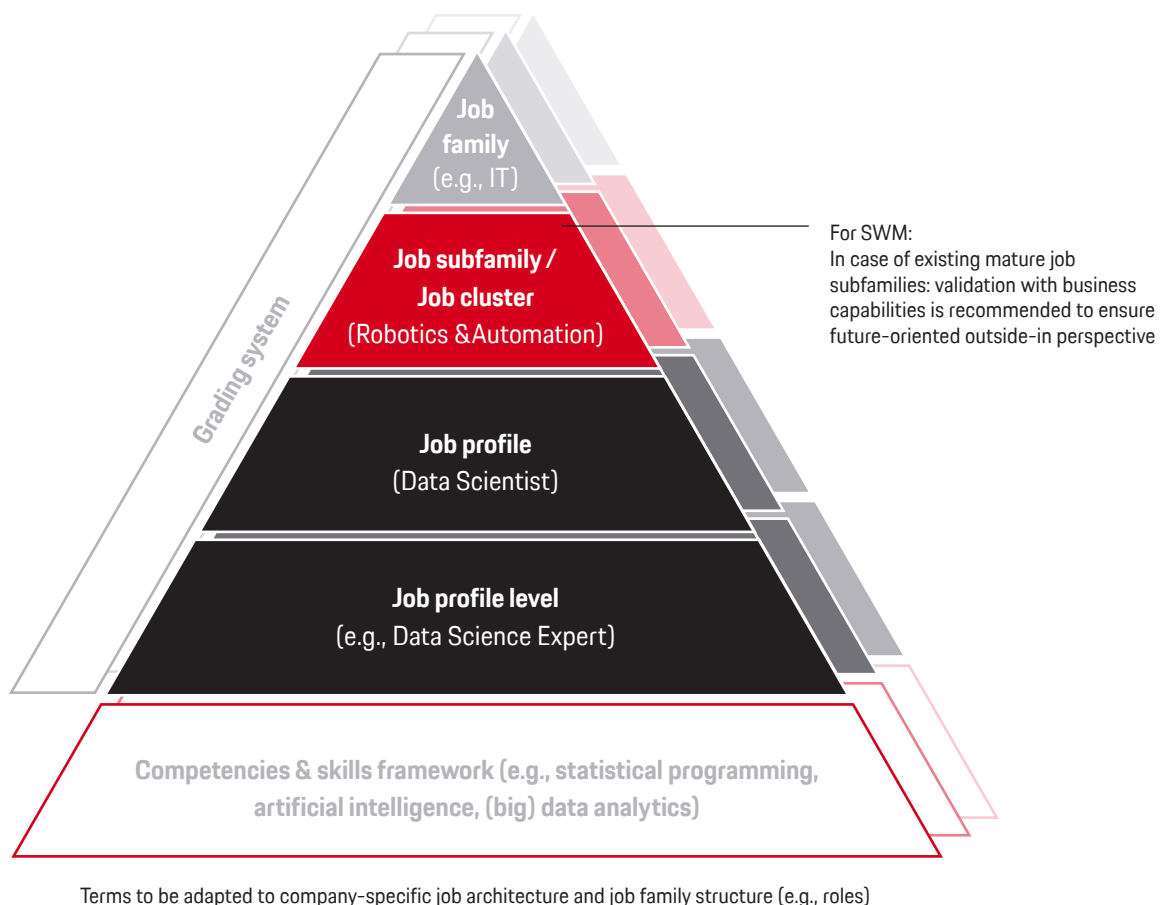
Enabler 1: JOB ARCHITECTURE
A mature job architecture with a company-wide consistent and reliable taxonomy on different levels lays the foundation for globally comparable profiles, as illustrated in Figure 12.

For the workforce analysis, it is important to find the right level of abstraction to generate meaningful conclusions. Capabilities can serve as a valid foundation as described in step 2, or an existing mature job architecture with job (sub-) families, job profile, and job profile levels can be used with job subfamilies usually being on a meaningful level of abstraction. Independent of the reference basis, it is crucial to stick to a level of abstraction that allows to dive in the details that are needed for a meaningful analysis but at the same time to not drift to too much unnecessary information. The maturity of job architectures in companies still varies considerably depending on the company's size, HR system structure, and level of digitalization.

With a mature architecture, a proper matching of employees is possible that allows for clear assignments and a company-wide comparison of as-is HC based on existing HR systems. This serves as

For SWM:
In case of existing mature job subfamilies: validation with business capabilities is recommended to ensure future-oriented outside-in perspective

Terms to be adapted to company-specific job architecture and job family structure (e.g., roles)

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Fig. 12. Exemplary basic structure of a mature job architecture.

the basis for analyzing gaps and deriving business-critical capability demand of the future (see steps 2 and 3).

A connected grading system gives insights into the compensation and therefore cost structure, whereas additional skills information for different job profile levels and for individual employees allows for advanced competencies and skills planning.

Setting up SWM without having all information and structures in place from the beginning can speed up the cleanup and required redesign of a future-ready job architecture in the organization based on newly gained insights. Practical examples show that SWM very often starts as a pilot in an iterative approach and is enriched with more advanced HR information over time. Therefore, getting started with a basic targeted approach unfolding further enhancements over time ensures staying competitive.

Enabler 2: ORGANIZATION & ROLES

One key enabler of SWM is the clear assignment of organizational responsibilities and roles. Implementing SWM is a strategic business decision and taking it seriously means being willing to allocate resources and implement a centrally coordinating role as owner to drive the process. Therefore, SWM requires the commitment of the leadership team to invest in this crucial topic; otherwise, there is a high risk of failure. As highlighted in the "Change Management Compass 2023" by Porsche

Consulting, leaders are of key importance for a successful transformation. Only if they show that they stand behind the transformation can they passionately motivate people to change and drive the required changes.[29] Moreover, to ensure the long-term perspective, it is highly recommended that the highest hierarchy level (e.g., supervisory boards) of a company pay attention to SWM and receive regular updates on the progress.

When the topic is set up the different activities need to be detailed out with concrete information on who takes over which task in which time frame. These responsibilities should be distributed between business functions and HR as a mutual effort that requires deep business as well as HR and finance expertise, while the ownership should lie with the business. Depending on the respective organizational setup, the implementation of dedicated roles like an SWM process owner and an SWM business function responsible party are recommended. The different roles and respective estimated capacity requirements during the initial implementation phase are summarized in Figure 13. Depending on the changes the recurring process usually requires less effort, while the roles should remain.

An SWM process owner is responsible for driving the regular process, coordinating the business functions' input, and consolidating it to create synergies in close collaboration with respective HR and business functions. The facilitation of the

Business role
Strategy lead
≤ **50%** = Up to 2.5 days/week

Business role
Business leader(s)
≤ **10%** = Up to 4 hours/week

Additional SWP roles

Business role
SWM business responsible(s)
≤ **50%** = Up to 2.5 days/week

HR role
HR (BP) responsible(s)
≤ **50%** = Up to 2.5 days/week

HR role
HR topic specialists
≤ **20%** = Up to 1 day/week

Finance role
Controlling
≤ **10%** = Up to 4 hours/week

HR/business role
SWM process owner
≤ **100%** = Up to 5 days/week

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Fig. 13. Different roles during the implementation of SWM with respective capacity requirements.

SWM community (enabler 4) is also part of this role. As the counterpart, this process owner has dedicated contact points, SWM business function responsible parties, who drive the process for the functions or countries, deliver the requested input, and derive specific actions based on synchronized decisions. One company calls them "target picture coordinators," which highlights the focus on the future state very well.

It can be observed that the starting point of ramping up the process is very often initiated as a pilot by a business unit confronted with an urgent transformation need, and the roles are set up as required. Very mature organizations have usually built up a dedicated SWM unit in HR over time to support the described activities, most often closely connected with people analytics and HR controlling.

Enabler 3: DATA & TECHNOLOGY

Another enabler of SWM is precise internal and external workforce-related data based on a digital solid data solution.

The higher the quality of internally available employee- and HC-related data, the easier and more reliable is the as-is and to-be workforce analysis as described in step 3. Basic internal data such as headcount, tenure and attrition, demographics, recruiting success, employment contract distribution, management share and employee engagement can already be used for analytics and thus uncover patterns and provide useful information to forecast the future demand. Additional analytics through labor market intelligence related to trending skills and job evolution, competitor benchmarks, and data on location-specific employment and workforce development, e.g., provided by HRForecast,[30] broaden the perspective and at the same time deepen the insights to understand the to-be state and develop first ideas on how to approach specific challenges and design workforce tactics (step 4). Thereby, insights, e.g., on specific skill trends developments of one's own company compared to competitors in the market (Figure 14 & 15) make results comparable and lead to improved decision-making.

Currently, there is a wide range on how intensively organizations use and analyze data. Data and analytical capabilities are clearly a key differentiator for a mature SWM.

The basis of all data builds technology providing digital data solutions with real-time people analysis that allow for system-based automated capability planning and short-term adjustments in case of unexpected events. The planning tools use existing as-is workforce data and plan future demands with driver models and scenario-driven approaches, allowing for flexible adaptations. Thus, they support holistic data-driven decision-making by providing future-oriented predictions and forecasts.

Company skill trends	
Change management	▲ +427%
Employer branding	▲ +390%
GDPR	▲ +120%
Diversity and inclusion	▲ +80%
Marketing	▲ +80%

Digital competitor's trends	
Process optimization	▲ +3273%
Technical recruiting	▲ +1893%
Outsourcing	▲ +956%
Data science / analytics	▲ +684%
Process management	▲ +628%

| Industry competitor's trends	
Personal development	▲ +1443%
Diversity & inclusion	▲ +506%
Applicant tracking system	▲ +354%
Employer branding	▲ +286%
Recruiting strategy	▲ +240%

▲ Increasing importance

* Based on job postings from the agreed upon competitor companies.
Crawling date: 01/2021 to 12/2022

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Fig. 14. Skill trend development of an exemplary company compared to the market. Source: HRForecast

Leading in posting share of jobs — Europe region

Skill trend areas	Ø share of job postings		COMPANY A	COMPANY B	COMPANY C	COMPANY D	COMPANY E	COMPANY F	COMPANY G	COMPANY H	COMPANY I
Data science/analytics/ BI	▪	15%	✓	✓	✓						
Machine learning/artificial intelligence	▪	8.5%		✓	✓		✓				
Cloud services/virtualization	▪	5.3%		✓	✓						✓
Software development	▪	8%		✓	✓						✓
UI/UX designer/developer	▪	1%									✓
Consulting skills	▬	57%	✓	✓			✓			✓	
Project management	▬	60%	✓	✓	✓	✓	✓	✓	✓	✓	
Process dev./optimization	▪	6.7%		✓	✓		✓				
SAP (various modules)/ ERP	▪	11.3%		✓	✓		✓				
Tax accounting/tax law/tax audits	▪	25%	✓				✓			✓	
Compliance	▪	29%	✓		✓	✓	✓		✓		
Risk management	▪	8.5%	✓	✓	✓		✓				
Agile skills & methods	▪	4.6%			✓						✓

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Fig. 15. Skill trend areas in companies' exemplary job postings. Source: HRForecast

Enabler 4: GOVERNANCE & COMMUNITY

Finally, governance and community serve as another key enabler. Governance structures increase transparency, giving guidance and reliability in the process, whereas an SWM community allows for knowledge exchange between different HR roles, especially those who oversee topics like providing data, running SWM on a regular basis, and following up on implementation plans. These are mainly the HR(BP) responsible(s), the HR topic specialists, and the SWM process owner (Figure 13). The use of data and technology (enabler 3) also shows the importance of aligning and upskilling the respective HR employees with analytical skills to ensure they use data appropriately and draw the right conclusions.

Thereby, a community ensures the creation of a common approach while peer learning, builds synergies and empowers to influence the evolution of the approach. In addition, a community can become a kind of internal "spokesperson" to strengthen one-voice communication and internal marketing.

HR is very often not yet in the driver seat of being a trusted advisor for SWM. The enablement of respective HR topic specialists and the community-wide knowledge sharing has the power to improve the quality of SWM overall. With the ambition and joint responsibility of this community, the goal of a company-wide approach to design the future workforce success can be reached.

Dr. Thymian Bussemer, Head of HR Strategy & Innovation at Volkswagen AG (VW), exemplifies the role of human resources to support transformative strategies in the automotive industry.

How critical is the issue of skilled labor shortage at VW AG?
The persistent challenge of workforce shortage is one of the three core topics for our CHRO Gunnar Kilian in 2023, together with new workplaces and labor costs.

Having identified this core topic, how is strategic workforce management set up at VW?
Volkswagen started with strategic personnel planning in 2018. In the meanwhile, systematic global planning is available until 2032. The aim is to enable a comprehensive understanding and precise forecast to strategically plan and ensure the availability of human capital for the envisaged future. For example, we are currently analyzing how many 30-year-olds will be available at different locations in 2040, especially at strategically relevant sites.

How do you ensure a consistent and comparable approach across the different brands?
Based on the established approach, a Group-wide manual is available, ensuring a uniform taxonomy for the job clusters; a digital platform guides the implementation. However, the challenge lies in ensuring consistent implementation across different entities within Volkswagen while giving the flexibility for required adaptations. Markets, countries, and brands have their own unique workforce challenges, and that require a tailored implementation to meet their specific needs.

In which job clusters do you see the highest need for action and how do you address it?
VW and Audi have conducted a simulation on various job clusters until 2040. The needs for talents have changed fundamentally. Especially in IT, we have a massive skill shortage. We have implemented different HR measures to address this need: with CARIAD, we see the opportunity to enhance our positioning and offer very attractive jobs to IT talents. Furthermore, initiatives like Faculty 73 in Wolfsburg or 42 Berlin, among others, have become the industry standard for upskilling individuals in basic IT tasks.

Speaking of measures, it needs to be emphasized that strategic workforce management is a dual concept, encompassing the decline of outdated qualifications and the demand for new ones. Only with the right measures can you generate the desired impact. This therefore prompts us to consider whether we should focus on hiring new personnel or upskilling existing ones.

What is your proven formula for a successful sustainable workforce transformation?
For us, it became clear that the implementation of strategic workforce management can only be successful as part of an overall transformation reflecting the increasing need to adapt to the dynamic nature of the business environment. This requires a different mindset for everybody and the ability to self-navigate within the organization. Organizations need to create an attractive environment and culture to offer an employee experience that prepares individuals for new tasks so they can develop in the organization and transition into new responsibilities. That is why we provide a central budget so that our employees can be re- or upskilled for their new roles. In addition, we are engaging in discussions regarding a new HR operating model to better support the employee centricity and also support, for example, the continuous exchange with top leaders from Volkswagen to develop a broader talent pool that even extends beyond geographic borders.

Dr. Thymian Bussemer
Head of HR Strategy & Innovation
at Volkswagen AG (VW)

Reaching the next level:

WHAT
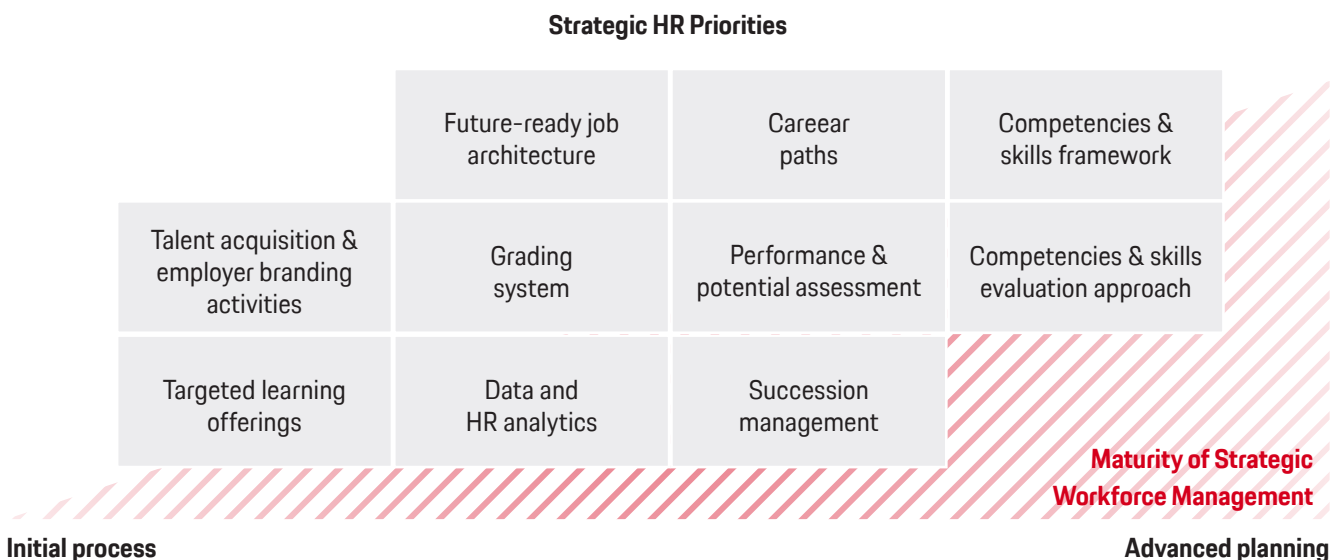## the next steps
should be

NORTH STAR

Based on a common understanding that HR should have a crucial role in SWM, there is a lot of potential for HR to grow and position themselves. SWM is the perfect opportunity for HR to become forerunners in the use of data and analytics, act as true strategic partners to the C-level to move the business forward, and evolve the entire organization, and consequently thereby generate sustainable business value.

CLIENT-SPECIFIC ROAD MAP

As described, companies usually start their SWM journey by setting up a comprehensive basic framework using business capabilities and internal data. The initial planning process might uncover lacks in the availability, consistency, and use of data and the existence of structures like a mature job architecture. Therefore, system-based automated capability planning and reporting is usually targeted mid-term to facilitate strategic decisions

and be able to address changing strategic needs more flexibly. Once an organization uses such an automated process, an advanced capability and skills planning process can be envisioned with more precise information at the individual employee level.

Moreover, by getting started with a targeted approach (focusing on strategically most-relevant business functions) the recurring SWM process can be used to drive top-down the allocation of HR investments in employer branding and recruiting, learning, performance, and talent management and to incorporate additional enhancements in the iterations. Core strategic HR priorities influencing the maturity of SWM are listed in Figure 16. For example, only with a functioning succession management can the SWM-relevant question be answered: "Do we have the right profiles prepared and developed to fill future key strategically relevant positions?" and with a performance and potential assessment the question: "Do we appreciate the future key contributors enough to ensure their retention?"

Strategic HR Priorities

	Future-ready job architecture	Careear paths	Competencies & skills framework
Talent acquisition & employer branding activities	Grading system	Performance & potential assessment	Competencies & skills evaluation approach
Targeted learning offerings	Data and HR analytics	Succession management	

Maturity of Strategic Workforce Management

Initial process — **Advanced planning**

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Fig. 16. Strategic HR priorities influencing SWM maturity of an organization.

On the other hand, the HR offerings benefit from the information provided by SWM. In such an ideal case, SWM is no longer a separate effort but closely linked to different strategic HR initiatives. This can improve targeted employer branding and recruiting activities as well as reskilling/upskilling offerings, strategic learning journeys, and career progression opportunities to key future roles for employees with skills and competencies that are in great demand. Moreover, organizational challenges like high attrition in specific leadership teams, business functions or countries can be better prioritized and thereby, the full potential of SWM can be exploited.

READINESS CHECK: STRATEGIC WORK-FORCE MANAGEMENT

When companies start with strategic workforce management, they become aware that it is a transformation journey with still a lot of learning and improvement needed. To gain transparency with respect to a company's own maturity and to agree on meaningful next steps, a comprehensive readiness check can provide important insights. This assessment summarizes the key aspects discussed earlier regarding a successful SWM across six key categories, with three detailed dimensions per category. The survey aims to highlight areas of strength, pinpoint areas requiring improvement, and provide a strategic road map. It is an essential tool for organizations seeking to maximize their human capital potential and align workforce strategy with overall business objectives.

Conclusion

Strategic workforce management bears immense potential for many companies to future-proof their organization — but implementing a holistic and sustainable SWM does not happen overnight. Implementing a best-in-class SWM framework is a long-term investment over years and depends on the maturity of existing relevant structures and processes within the organization. The interplay of three pillars leads to success: evaluating the long-term strategy with hypotheses, building a data-based workforce, and actively shaping the transformation. Here, HR has to take a leading role in shaping the transformation by building the necessary enabling structures. SWM provides the opportunity to support HR in becoming future-ready and to act as a true partner to the business.

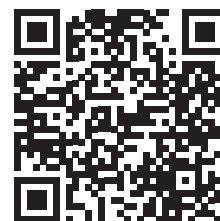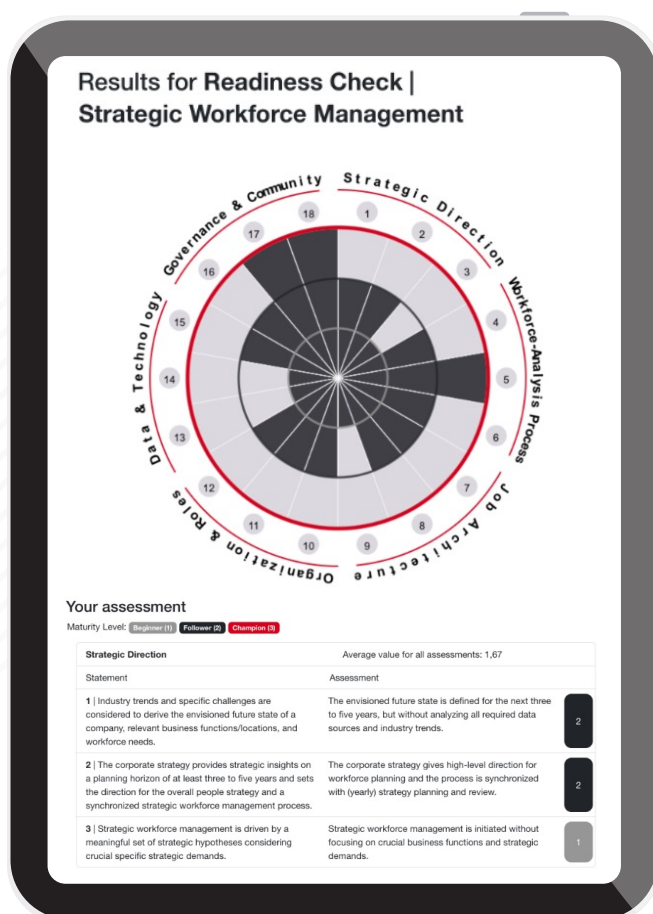# Let's check your Strategic Workforce Management Readiness

We invite you to assess the readiness of the existing Strategic Workforce Management framework in your organization by taking our Quick Check Survey.

01

The results will be visible to you immediately and give an indication for fields of action to accelerate your Strategic Workforce Management journey.

02

Should you be interested in an assessment of your results by Porsche Consulting, they can be discussed with you afterwards individually.

surveys.porsche-consulting.com/survey/swm/

IN BRIEF

01   In today's fast-paced, ever-changing business world, industry-specific talents and skill shortages make systematic strategic workforce management a "must have" to ensure long-term business success.

02   The corporate strategy and hypotheses for the strategic development of business units are the prerequisites for a tailored SWM with sustainable impact.

03   Taking SWM seriously requires a trio of strategists, business leaders, and HR to allocate resources and orchestrate a successful SWM together.

04   Getting started with a basic targeted approach unfolding further enhancements and building high-quality workforce data over time ensures sustainable competitiveness.

05   SWM provides the opportunity to make the HR organization future-ready and to act as true partner to the business.
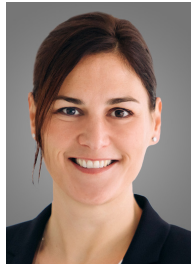
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Porsche Consulting

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As a leading consultancy for putting strategies into practice, we have a clear mission: we generate competitive advantage on the basis of measurable results. We think strategically and act pragmatically. We always focus on people—out of principle. This is because success comes from working together with our clients and their employees. We can only reach our aim if we trigger enthusiasm for necessary changes in everyone involved.

Appendix

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