

Workforce Optimization for 2009...and Beyond: Today's Presenters

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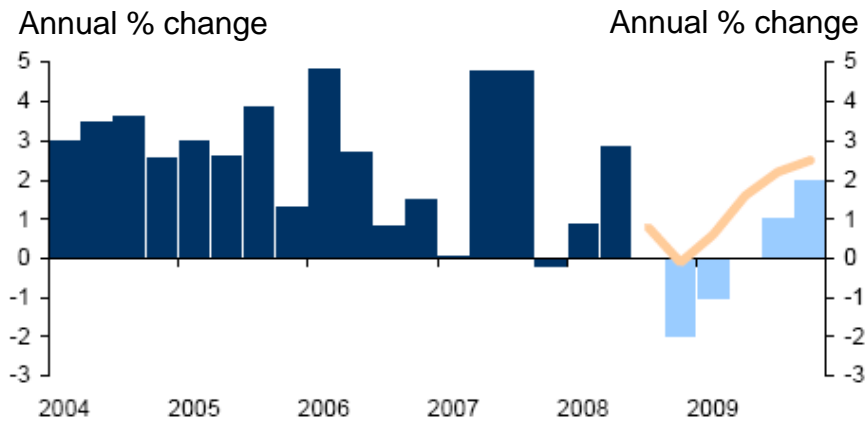
December 15, 2008

Today's discussion

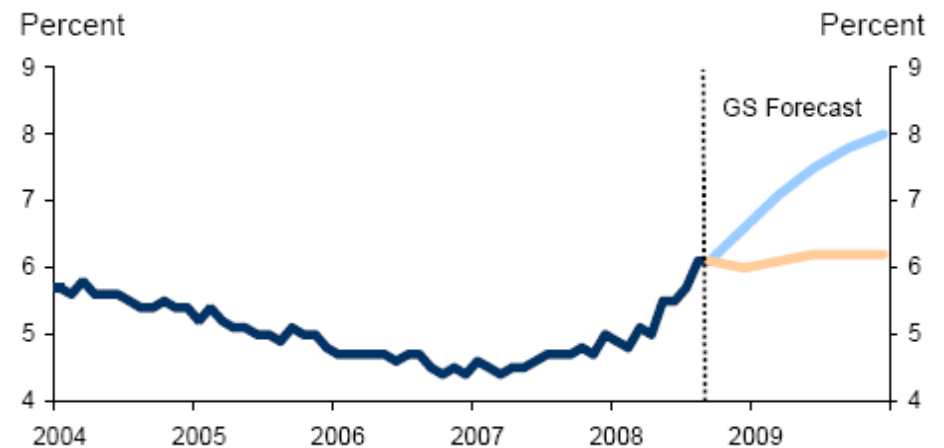
- The current environment: Business, people and reward implications
- Identifying short-term opportunities for cost and risk reduction
- Optimizing workforce investments for long-term growth
- Effectively implementing and managing change

Economists appear unanimous that we are in a substantial global economic slowdown

Growth (Real GDP) to Slow in Near Term



Unemployment Rate to Increase



Actual Data
 GS Forecasts
 Blue Chip Consensus Forecasts (Sep./Oct. 2008)

Source: All estimates based on GS Research forecasts

The impact on the workforce will be significant: Turnover and normal retirements are expected to decline

Declines in Hiring

Manpower reports 10 consecutive quarters of declining employer sentiment on hiring activity; 13% of employers expect to reduce payroll.
— *Manpower*, October 2008

Delayed Retirements

27% of workers say that the economic slowdown will prompt them to postpone plans to retire.
— *AARP*, May 2008

Workers Hang On to Jobs

38% of employees say they will hang on to their jobs for at least another year.
— *Career Builder/USA Today*, September 2008 survey
(6,100 private-sector employees)

Talent Shortages Even in the Current Market

24% of HR professionals reported open positions that they cannot fill.
— *Career Builder/USA Today*, September 2008 survey
(3,000 hiring managers)

Compensation and benefit programs have been hit hard and are adding to financial challenges

Broad-Based Compensation*

- More than one-third of companies will consider reducing pay/merit-increase budgets (40% U.S., 36% Canada)
 - on average, those companies will reduce their pay/merit budgets by 1.2% from a planned 3.9% to 2.7% in the U.S. and by 0.4% in Canada (from a planned 4.1% to 3.7%)
- More than half of companies are somewhat to very concerned about retaining high-performing talent or those in pivotal roles (54% U.S., 51% Canada)

*Towers Perrin's *Compensation in Crisis Survey* — U.S. and Canada results, October 2008

The challenge for HR is to respond to current cost pressure without undermining long-term talent objectives

- How can the talent pool be evaluated to assure top performers and talent in pivotal roles are retained and engaged?
- What change is needed in reward spend to support financial goals? How will you allocate a reduced reward expenditure?
- What risk mitigation strategies should be considered to limit financial volatility?
- How do you effectively manage and implement change?

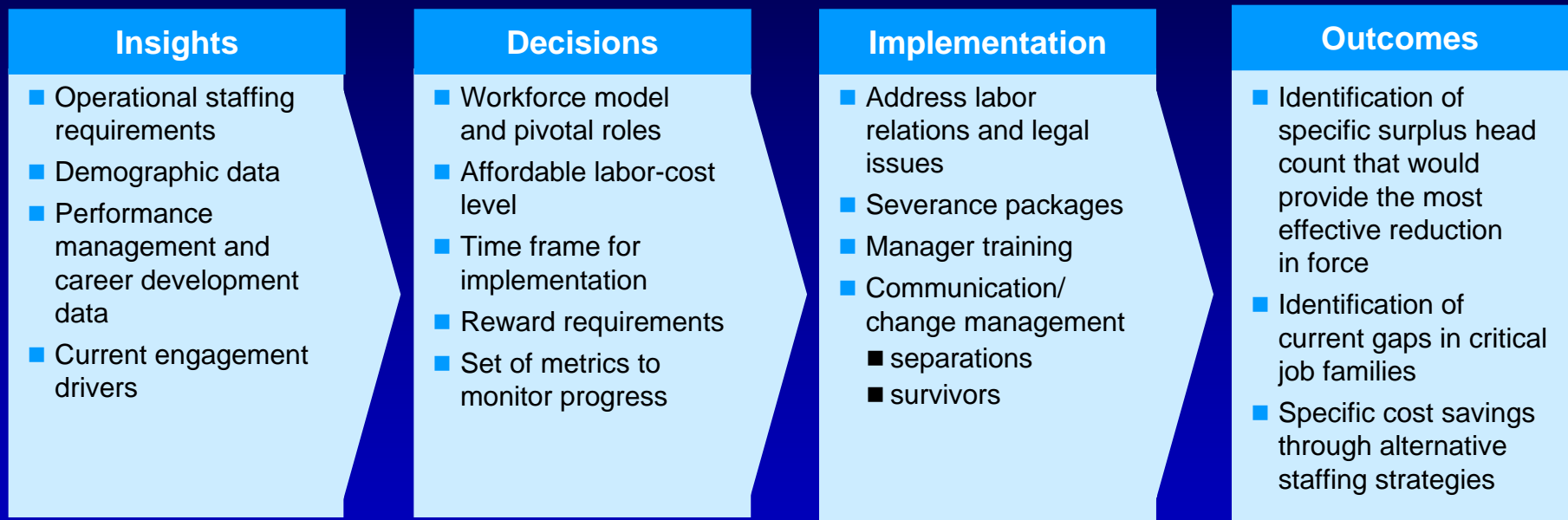
Human capital optimization evaluates immediate opportunities for significant cost savings

Human Capital Optimization	Cost/Risk Reduction	Key Goals
Workforce Optimization	<ul style="list-style-type: none"> ■ Segment workforce into pivotal versus non-pivotal roles and define workforce reduction opportunities ■ Examine current staffing models for key sources of inefficiencies, and target inefficiencies for staff reductions ■ Review individual staff performance, and apply targeted reductions to low-performing groups 	<ul style="list-style-type: none"> ■ Ensure an adequate supply of the right talent focused on both long- and short-term goals ■ Restructure the workforce to optimize talent and achieve business targets ■ Drive and improve workforce productivity ■ Create a more engaged and focused workforce
Reward Optimization	<ul style="list-style-type: none"> ■ Optimize reward portfolio to meet specific cost and risk targets ■ Shift the mix of reward spend from fixed to variable ■ Redistribute and redesign compensation to reward performance and pivotal talent ■ Reduce benefit program costs and improve efficiency 	<ul style="list-style-type: none"> ■ Improve corporate cash flow and cost structure through reward redesign ■ Reduce reward investments while minimizing the impact on workforce engagement ■ Reward and retain high performers and pivotal talent
HR Delivery Optimization	<ul style="list-style-type: none"> ■ Rethink HR roles/structure; benchmark current staffing levels ■ Streamline processes, analyze activities ■ Pursue tactical outsourcing of specific domains ■ Increase use of self-service ■ Consolidate and renegotiate with vendors 	<ul style="list-style-type: none"> ■ Redeploy or reduce existing staff for better efficiency ■ Eliminate inefficient processes and touch points ■ Identify outsourcing opportunities to cut costs ■ Review existing vendor contracts for competitiveness and concessions ■ Increase Web usage to shift workload from HR generalists or service centers

Integrated Change Management and Measurement Plan

Workforce optimization

Workforce optimization can be accomplished quickly and create advantages in moving beyond today's turmoil

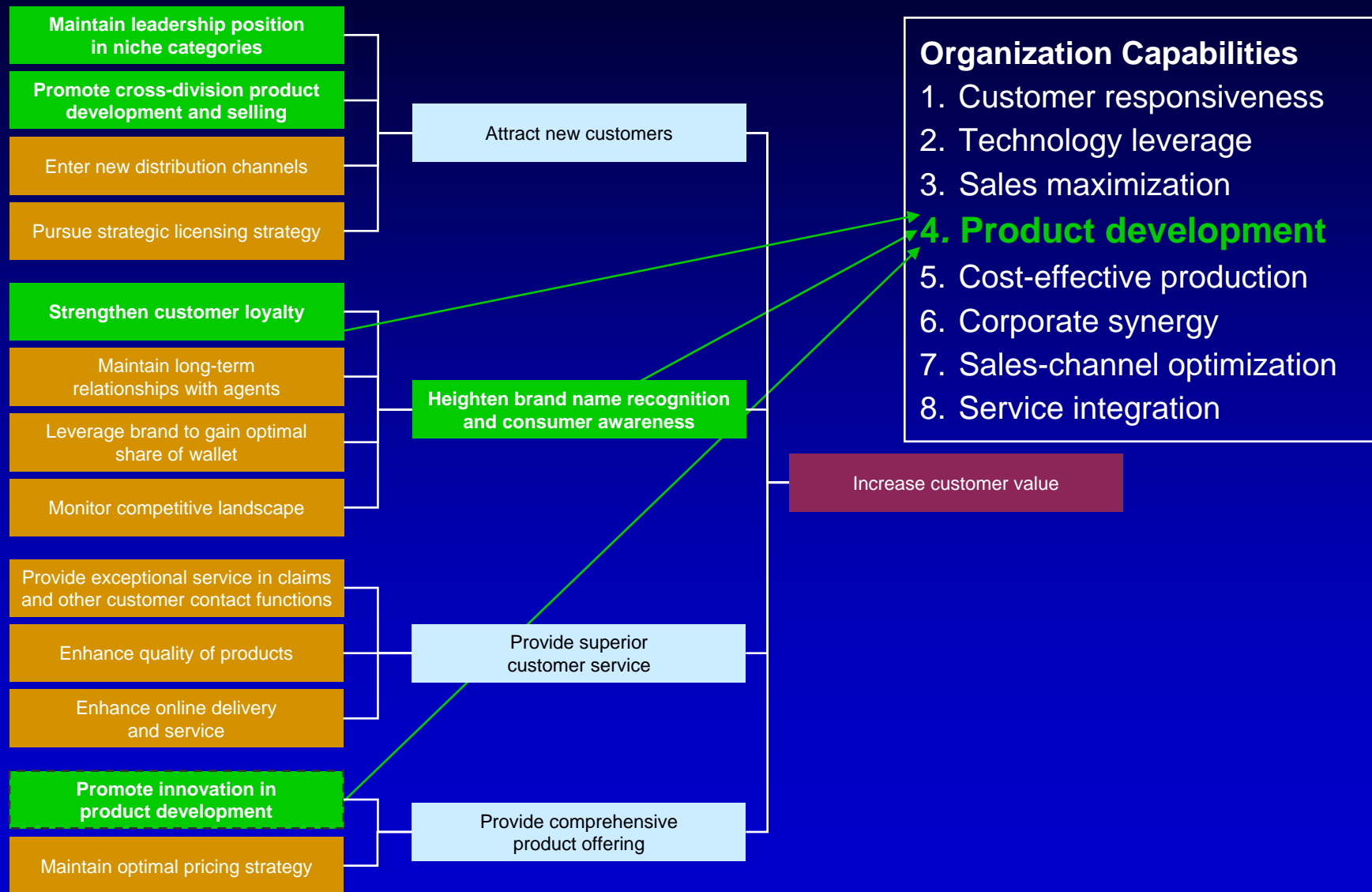


- What leadership input will be required to shape the workforce model?
- Are current reward practices appropriate for the new workforce model?
- What employee/manager pulse data will guide implementation and help identify success or need for corrective action?

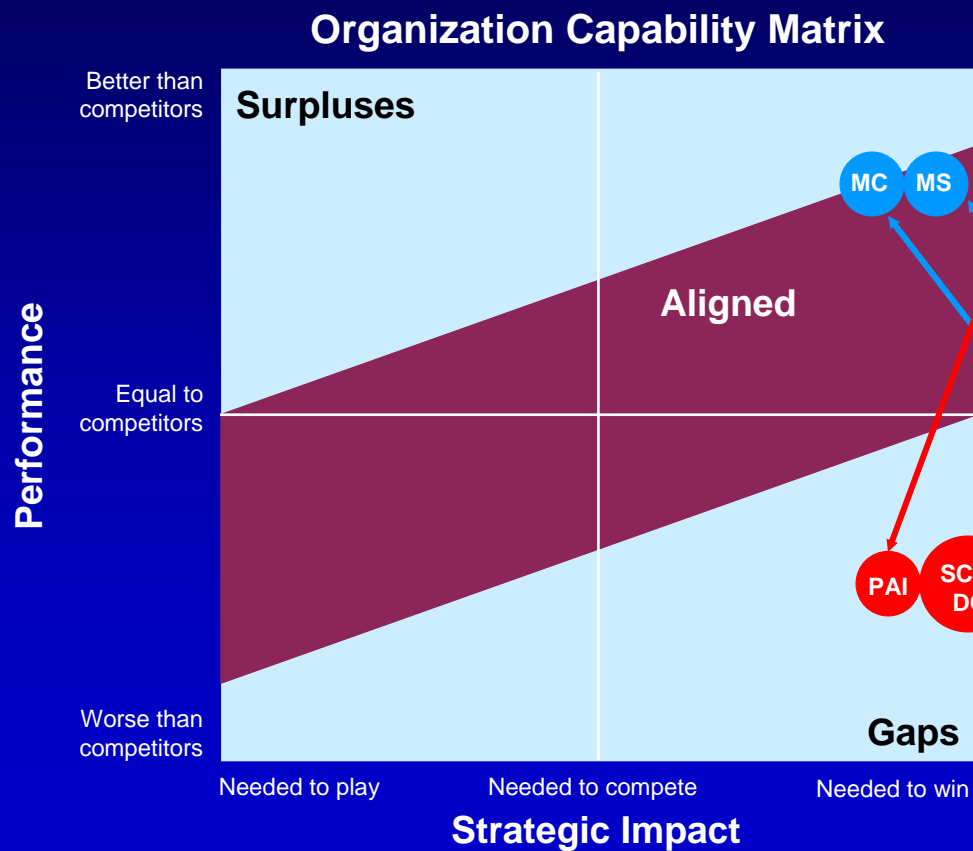
Aligning business and workforce strategy to the organization

Step	Questions Addressed
1. Identify the organization capabilities required to execute the strategy	<ul style="list-style-type: none"> ■ What are the specific capabilities that the organization needs to execute strategy — which capabilities are most important and which are less important? ■ What gaps exist between the current state and the required state for key capabilities?
2. Identify the job families that most directly contribute to strengthening and executing on strategically important capabilities	<ul style="list-style-type: none"> ■ What are the strategic, core, support and noncore job families that align with these capabilities? ■ What are the pivotal versus important roles within each family?
3. Assess the performance/value relationship for key families and roles	<ul style="list-style-type: none"> ■ What is the relationship between the performance of the role and the value to the organization?
4. Define implications for the talent life cycle <ul style="list-style-type: none"> ■ (4a) Workforce planning ■ (4b) Talent strategy 	<ul style="list-style-type: none"> ■ Should the organization have a single workforce strategy or should the strategy vary by job family? ■ What strategies will be most effective in enhancing performance and value for the strategic and core job families? ■ What constraints (e.g., external supply) affect the organization's ability to achieve optimal performance from each job family?

1 Identify organization capabilities required to execute competitive strategy



1 Organization Capability Map: Determining most important strengths and largest gaps



Capabilities

PD1: Product (i.e., offering) development
 PD2: Continuous product (offering) improvement
 PD3: Product linkage development
 BI: Brand image development

PAI: Platform and application integration

CE1: Cost-effective customer support
 CE2: Cost-effective product development process
 SC1: Service consistency
 CPS – Customer problem solving

MS: Market segmentation/buyer behavior intelligence

MC: Manager capability

DPM: Distribution partnership management
 SF1: Sales force management

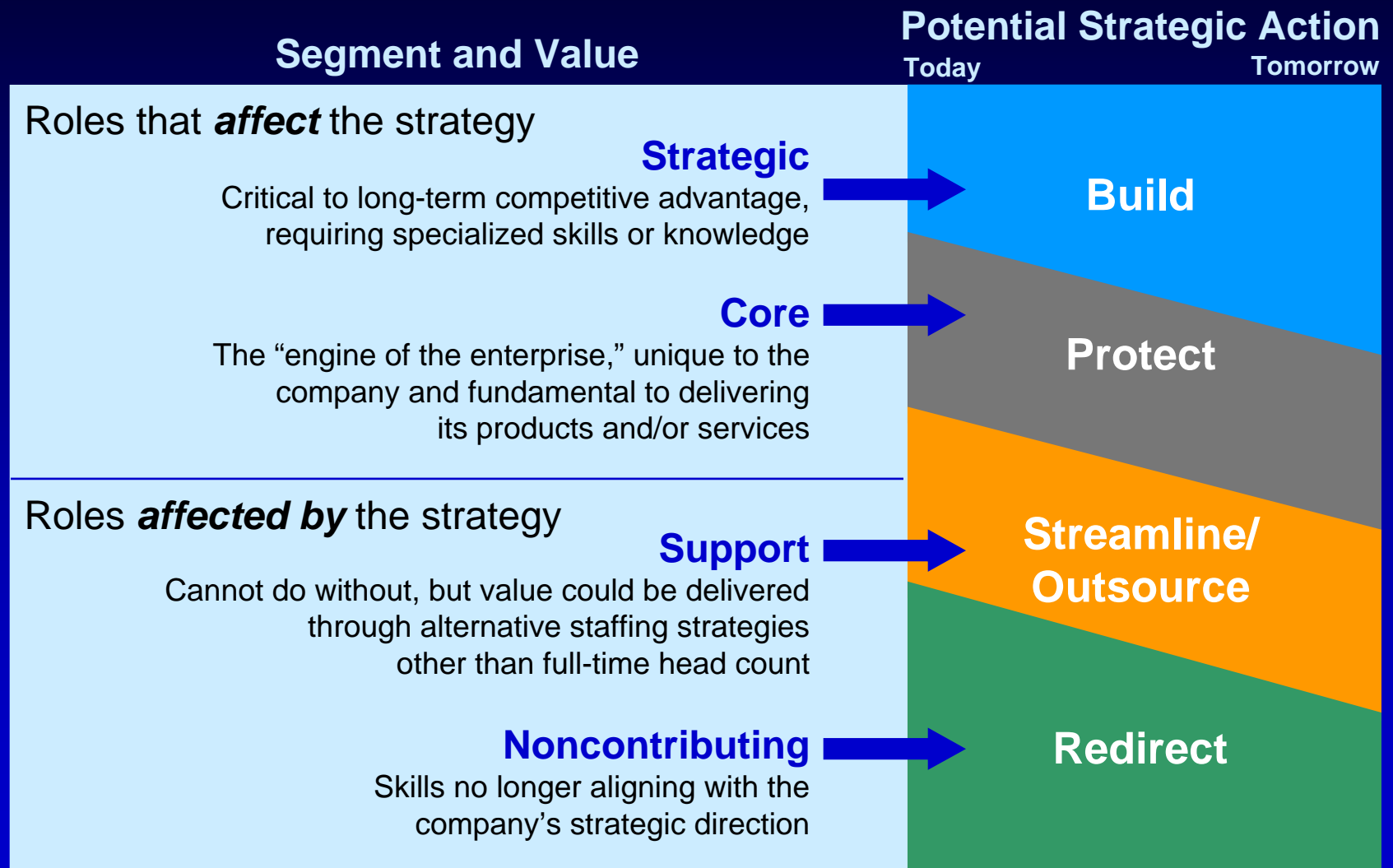
SCM: Sales channel management

DC: Demand creation

TP: Talent planning
 GL: Global leadership
 CE3: Cost-effective hosted service delivery
 TR: Managing total rewards portfolio
 FI: Financial insight
 GTM: Global talent management

Note: All capabilities are “important,” but some will differentiate Intuit from competitors.

2 Identify job families that most directly contribute to key organization capabilities



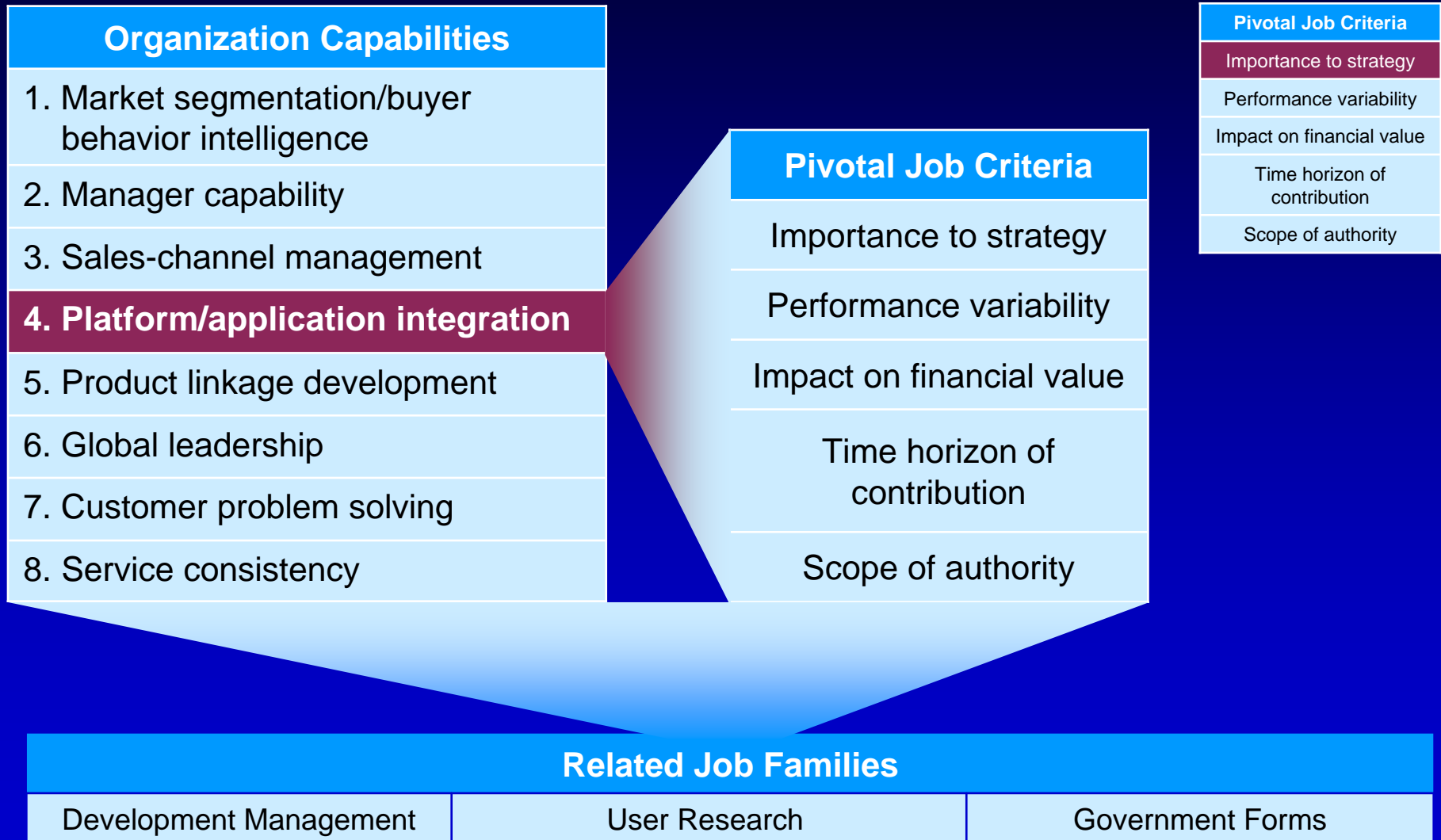
Source: The Conference Board, *Strategic Workforce Planning*, 2006

2 Identify job families that most directly contribute to key organization capabilities (cont.)

Criteria	Strategic	Core	Support	Noncontributing
Impact on strategy	Has a direct strategic impact — creates competitive advantage that is difficult to copy (e.g., primary accountability for specific strategic initiatives)	Has an indirect strategic impact by supporting strategic positions (e.g., through quality and service); maintains competitive position, creates continuous improvement	Moderate or indirect effect on strategy	No effect
Performance variability	Large difference between highest and lowest performers	Moderate to low variability across performance spectrum	Low variability	Low variability
Impact on financial value	Substantially enhances revenue or reduces cost; errors are costly, successes are dramatic	Produces revenue; may reduce cost	Indirect — enables value creation	No effect
Time horizon of contribution	Current and future	Current	Current	Past
Scope of authority	Often autonomous; may have to make quick decisions; interdependencies may be limited, but if they exist will be synergistic and critical	Some latitude, but mainly follows protocols; often has some interdependency with other jobs	Follows set procedures	Follows set procedures

Adapted from: “ ‘A Players’ or ‘A Positions’? The Strategic Logic of Workforce Management,” Mark A. Huselid, Richard W. Beatty and Brian E. Becker, *Harvard Business Review*, December 2005; “Driving Strategic Success Through Human Capital Planning: How Corning Links Business and HR Strategy to Improve the Value and Impact of Its HR Function,” *Human Resource Planning*, March 1, 2005, Vol 28, No. 1.

2 Identify job families that most directly contribute to key organization capabilities (cont.)



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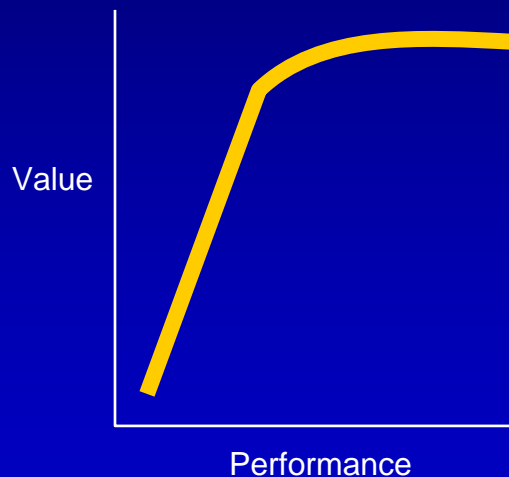
Pivotal Job Criteria	Development Management			User Research			Government Forms		
	Strategic	Core	Support	Strategic	Core	Support	Strategic	Core	Support
Impact on strategy <ul style="list-style-type: none"> Direct Indirect Low/Moderate 	●				●				●
Performance variability <ul style="list-style-type: none"> Wide from highest to lowest Moderate from highest to lowest Low variability 		●			●				●
Impact on financial value <ul style="list-style-type: none"> Substantially enhances revenue/cost position Produces revenue, may reduce cost Indirect effect on financial value 	●				●				●
Time horizon of contribution <ul style="list-style-type: none"> Current and (especially) future Current Current 	●			●					●
Scope of authority <ul style="list-style-type: none"> Often autonomous; any interdependencies are critical Some latitude, interdependencies; mainly follows protocols Follows set procedures 	●				●				●

3 Assessing the relationship between job performance and the impact of financial value to identify talent management implications

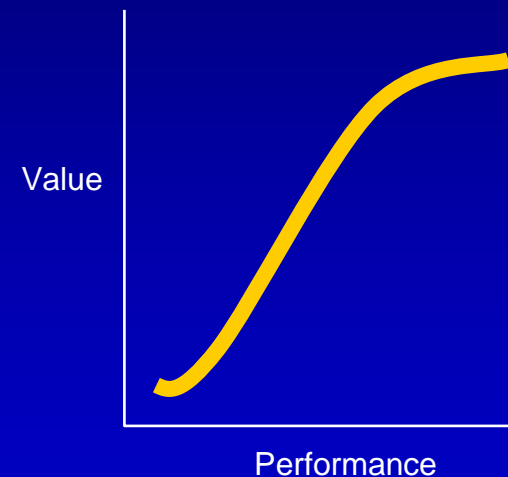
For each of the job families, identify the nature of the relationship between the performance and the value contributed to the organization

Example

Core: Collections or Internal Audit



Strategic: Product Development



Is the investment in each job family commensurate with the relationship between job performance and financial value?

4a Define labor source elements and evaluate human capital supply scenarios

Element	Definition
Productivity	Amount of output typically expected from any labor source during a defined period
Labor cost	Compensation, benefits and related expense associated with any labor source
Development cost	Expense to build competencies for a specific job; must be considered in conjunction with development feasibility and learning curve
Turnover cost	Expense associated with voluntary termination and consequent loss of talent — incorporates both hard cost (e.g., loss of training investment) and soft cost (e.g., lost productivity of team)
Time to fill	Chronology of activities beginning with job opening and culminating with first day of work
Overhead cost	Expense associated with administrative and logistical support of a job or function
Cost to hire	Expense associated with recruiting, assessing, selecting and hiring
Staffing flexibility	Ability to quickly and easily change staffing levels
External labor availability	Quantity and accessibility of any particular labor source in the current and future labor market
Internal availability	Feasibility of transferring current employees from other jobs or functions to meet a given staffing need; takes into account development expense required

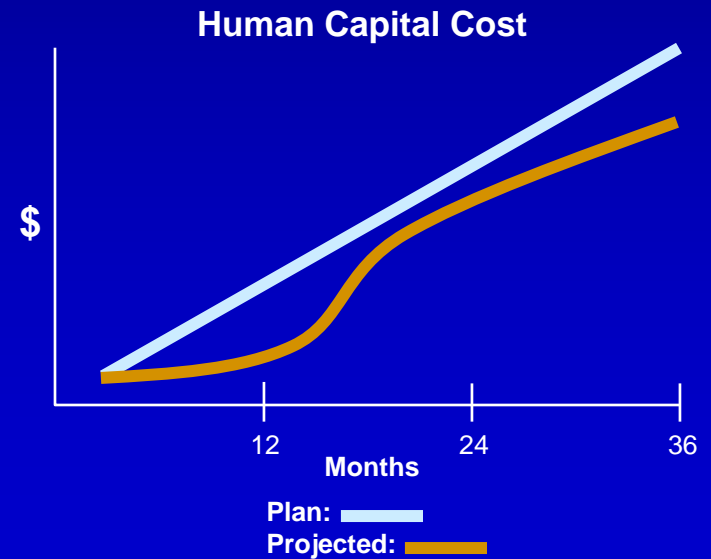
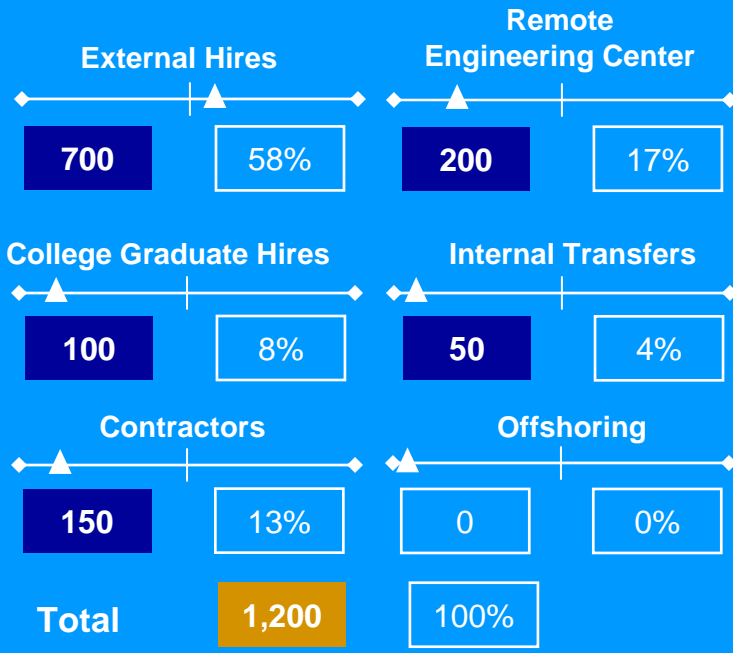
4a Define labor source elements and evaluate human capital supply scenarios (cont.)

Scenario 1

Labor Source Factors

- Productivity
- Labor cost
- Development cost
- Turnover cost
- Time to fill
- Overhead cost
- Cost to hire
- Staffing flexibility
- Internal availability
- External availability

Sourcing Options Required:
1,200 engineers at current production



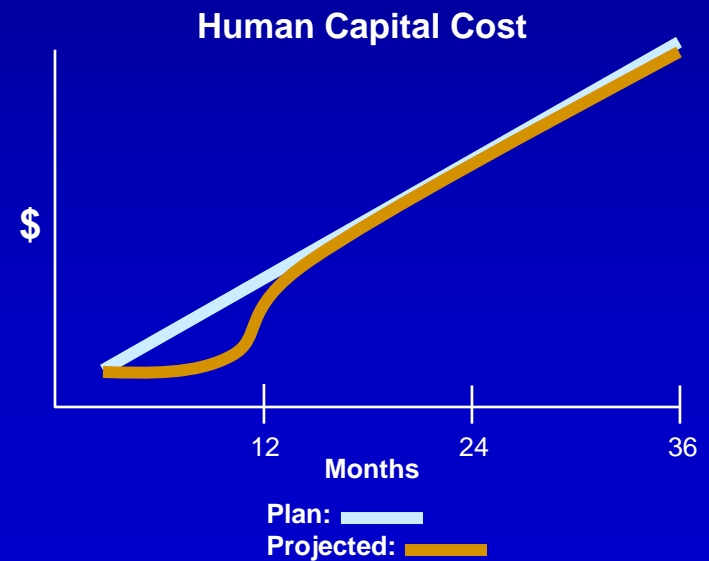
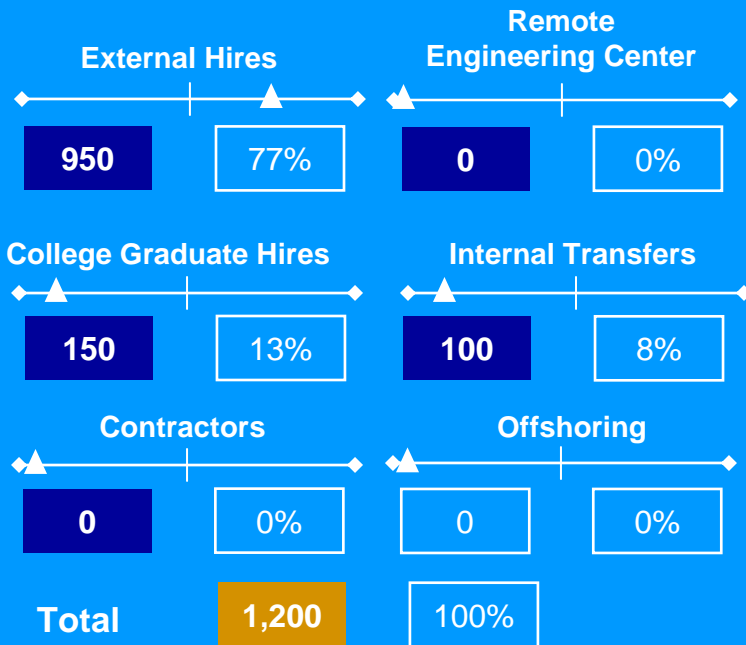
4a Define labor source elements and evaluate human capital supply scenarios (cont.)

Scenario 2

Labor Source Factors

- Productivity
- Labor cost
- Development cost
- Turnover cost
- Time to fill
- Overhead cost
- Cost to hire
- Staffing flexibility
- Internal availability
- External availability

Sourcing Options Required: 1,200 engineers at current production

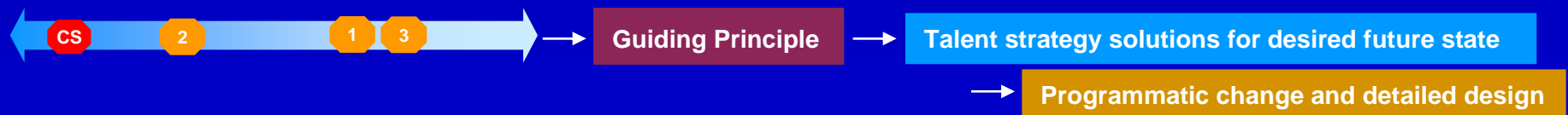


4b XYZ — Reviewing the talent strategy components

- The talent strategy life cycle includes the following components and sample issues addressed

Source	Deploy	Engage	Reward	Develop
<ul style="list-style-type: none"> ■ Internal talent ■ External talent ■ Differentiated basis for sourcing strategy 	<ul style="list-style-type: none"> ■ Career orientation ■ Mobility 	<ul style="list-style-type: none"> ■ Performance orientation ■ Decision making/ involvement 	<ul style="list-style-type: none"> ■ Differentiation ■ Structure of Reward ■ Risk ownership 	<ul style="list-style-type: none"> ■ Learning ■ Competency orientation

- The following pages provide a sample of the continuums used to develop guiding principles and the current- and future-state assessments that shaped the talent strategy for XYZ



4b

XYZ — Establishing the guiding principles

Talent Strategy Guiding Principle

Source

Create and maintain a dual-sourcing strategy of both building and buying talent



Talent strategy solutions for desired future state

- Develop an alternative “deal” for segments 1 and 3 to ensure ability to “buy” experience and capability needed from the marketplace
 - buy specific capabilities/deep specialization for segment 1
 - buy to achieve cost efficiencies for segment 3

CS Current state 1 Strategic 2 Core 3 Support

4b

XYZ — Establishing the guiding principles (cont.)

Talent Strategy Guiding Principle

Engage

Create line of sight to enable the achievement of XYZ's strategic plans and annual business objectives



Talent strategy solutions for desired future state

- Shift the philosophy of the organization's performance focus towards the management of team and individual performance
 - increase the rigor associated with goal setting (2008)
 - assess individual performance using the new five-level rating scale (2008)

CS Current state 1 Strategic 2 Core 3 Support

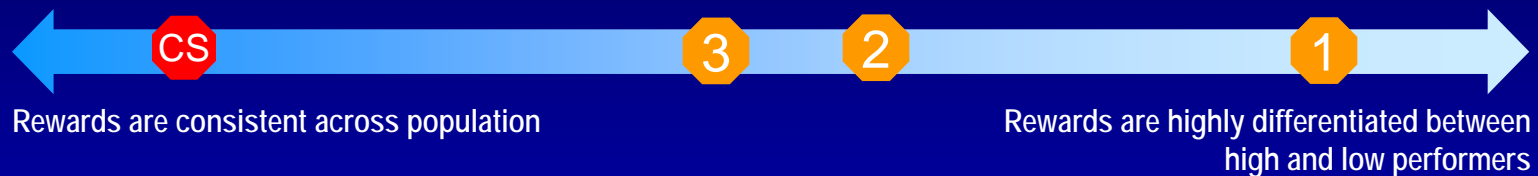
4b

XYZ — Establishing the guiding principles (cont.)

Talent Strategy Guiding Principle

Reward

Balance standard, competitive pay programs with differentiated rewards



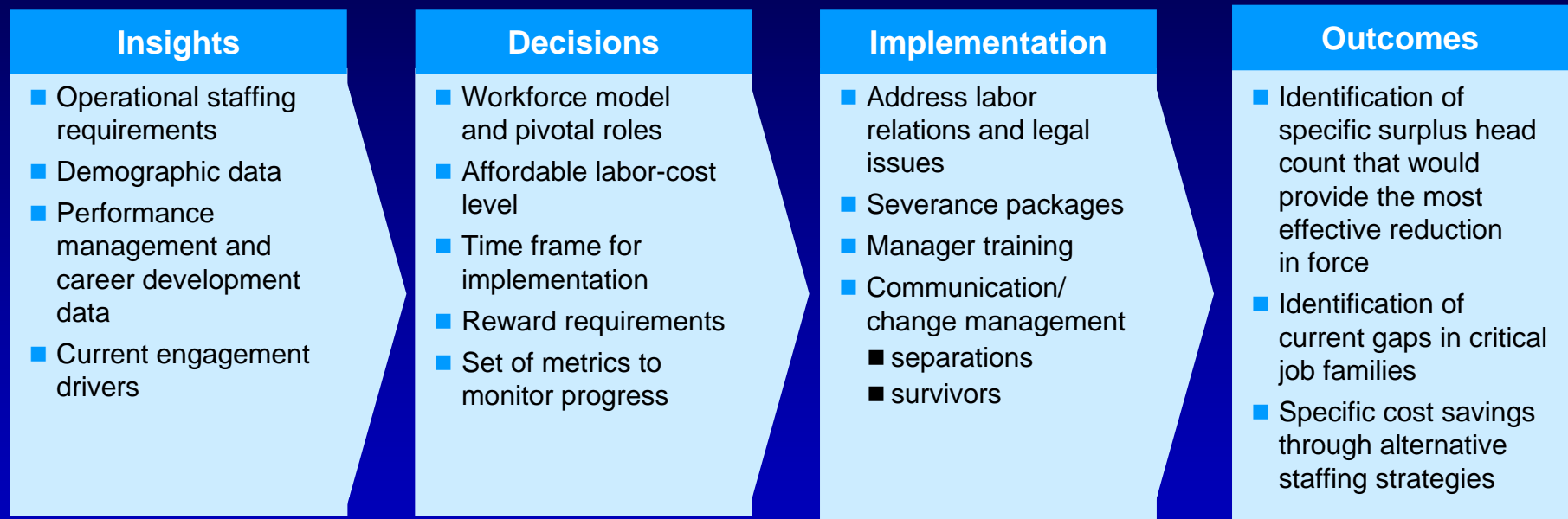
Talent strategy solutions for desired future state

- Create reward structures for segment 1 that significantly differentiate compensation based on individual performance (through merit budgets, short-term incentives, project-based incentives, etc.)

CS Current state 1 Strategic 2 Core 3 Support

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- What employee/manager pulse data will guide implementation and help identify success or need for corrective action?

Questions?

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