MANAGING HUMAN CAPITAL RISK

PLANNING TODAY FOR TOMORROW’S WORKFORCE

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Shifting demographics, globalization, and technology are significantly changing the mix and location of the talent available to firms. Despite high levels of unemployment, employers are struggling to find employees with the skills they need.

In this context, senior management needs to consider whether they will be able to find, attract, and retain the talent needed to execute their business strategies.

Recent Mercer research shows that while talent is a primary source of competitive advantage, many business leaders still consider the lack of adequate talent pipelines a critical business challenge. Sixty percent of 1,268 organizations surveyed in 65 countries are investing more in talent by devoting more resources to strategic workforce planning initiatives such as recruitment, rewards, and retention. Yet more than half (62 percent) of respondents consider their workforce plans to be only “somewhat effective” in meeting immediate and long-term human capital needs. Worse, the majority (54 percent) have plans in place that extend only one year or have no plan at all.

Organizations without well-developed workforce plans face serious business risks. Consider: oil and gas companies are delaying major exploration and production projects because they do not have enough of the right workers. Utilities are spending as long as a decade to train some employees for critical jobs. Healthcare providers remain in constant search of nurses and technicians, who are even more difficult to retain.

To mitigate such risks, companies must identify gaps between their current workforce and their future needs under multiple business scenarios. Then they must work out how to fill these gaps, taking into account the quantity, quality, and location of critical talent. At the same time, firms must hone their human capital initiatives by comparing the cost of the initiatives with their effect on the firm’s financial performance.

The task may seem daunting. But it is not all or nothing. Workforce planning expertise can build over years, with management deciding on the direction of its development as its value accrues and as labor market conditions evolve.

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