



May/June 2007

Bringing Work to Life

Volume 4, Number 3



In This Issue

- Workforce Planning
- Social and Economic Trends
- Quotes
- Upcoming EOR Events and Recent Mentions
- About EOR

Contact Us

Elsdon Organizational
Renewal (EOR)

www.elsdon.com

renewal@elsdon.com

Tel. 925 838 2362

Welcome

Welcome to the latest issue of Bringing Work to Life.

We explored the following topics in the past twelve issues (all newsletters are available at www.elsdon.com/newsletters.htm):

- Assessing your organization (March/April 2007)
- Individual change (January/February 2007)
- Guiding organizational change (November/December 2006)
- One to one (September/October 2006)
- New horizons (July/August 2006)
- Our greatest asset (May/June 2006)
- Bringing development and performance home (March/April 2006)
- Progressing in your organization (January/February 2006)
- Bringing our best to work (December 2005)
- The promise of affiliation (November 2005)
- Nothing business, it's just personal (October 2005)
- Who are you? (September 2005)

In this issue we address "Workforce Planning."

Workforce Planning

"I own a body shop; I cannot hire the people I need to support our business growth." I remember these words well from someone who came up to me after a presentation



Ron Elsdon, Ph.D., is founder of *Elsdon Organizational Renewal*, which focuses on supporting organizations enhance effectiveness through revitalized workforce relationships and leadership practices. Prior to establishing his practice, Ron held senior leadership positions at diverse organizations. Ron is also co-founder of New Beginnings Career and College Guidance, which provides caring and personalized help to individuals and families in career guidance, coaching and college planning.

Ron is author of *Affiliation in the Workplace: Value Creation in the New Organization* (2003), a book describing leadership approaches to integrate the needs of the individual with the needs of the organization for the benefit of both. Ron holds a Ph.D. from Cambridge University in Chemical Engineering, an M.A. from John F. Kennedy University in Career Development and a first class honors degree from Leeds University in Chemical Engineering. With his co-author he was

about the changing workforce environment. Similar concerns are voiced by those in large organizations. A recent New York Times article highlighted the labor shortage in Europe. “Our growth rate is now mostly limited by our human resources capacity” said Klaus Kleinfeld, chief executive of the giant engineering conglomerate Siemens. Andreas Weber, the head of personnel for the SMS group, an engineering company, lamented “My colleagues are constantly asking how far I have come in finding them new people, but if I don’t have applicants, I have nothing to offer them.” These are further examples of a trend driven by a convergence of declining short term unemployment rates and slowing labor force growth rates, which will be no surprise to regular readers of this newsletter. Some, such as those in healthcare, have grappled with similar issues for a number of years. For others this may be new territory. For all, workforce planning can become a cornerstone to navigate through these difficult waters.

Why is workforce planning important and what do we mean by it? The following examples illustrate its importance. In working with one organization looking at how attrition rates varied with how long people had been there, we found high attrition rates in the early years, and that much of the workforce had not been there long. One HR leader put it this way: “What will happen to our employee losses in the next two to three years? We are facing a major crisis.” Here’s another situation “We looked at the ages of our employees. There are quite a few people who have been with us less than three years, and a large number who could retire in the next five years. What if they do retire? What will our workforce look like and how will we conduct our business? We may soon have a major problem, what can we do to clarify the issue?”

Workforce planning is a systematic approach to understanding future workforce needs in situations such as these; so that steps can be taken today to ensure that the workforce needed tomorrow is in place. This maximizes organizational value by helping ensure that the right people are in the right place at the right time, since in today’s information and service based economy value creation is all about people. Several components fit under the umbrella of workforce planning:

1. Characterizing the organization’s current workforce
 - a. Defining existing capabilities by key functional area, operating segment, nature of the relationship sought with individuals, and demographic (e.g. location)
2. Projecting how current workforce trends will likely influence future workforce composition
 - a. For example, what are the implications of different attrition rates on future hiring and capability needs
3. Based on primary targets the organization has adopted, defining and prioritizing core capabilities and relationships sought with individuals by workforce segment at various points in the future
 - a. For example to what extent will changing role requirements affect strategic, conceptual and technology skills vs. more routine processing skills
4. Identifying gaps between future needs and current workforce projections and defining how to eliminate those gaps
 - a. For example, examining the right balance between redeployment and hiring, or defining the focus of learning processes needed to build

awarded the Walker Prize by the Human Resource Planning Society for the paper that best advances state-of-the-art thinking or practices in human resources.

critical skills

5. Tracking progress and adjusting as needed
 - a. Workforce planning is a process rather than an event, which means monitoring workforce trends continuously and making adjustments accordingly

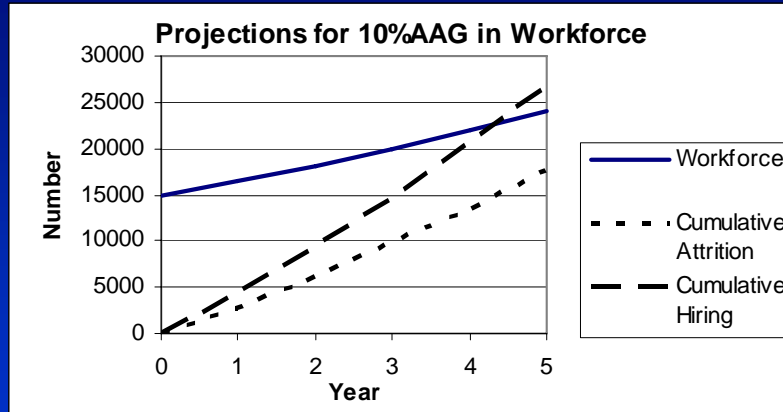
In the September/October 2006 issue of Bringing Work to Life we looked at the first item, how to characterize the workforce using dimensions that describe the relationship with employees such as :

- Depth, whether the relationship is transactional or extended
- Uniqueness, whether it is one-to-one or one-to-many
- Scope, whether it is autonomous or controlled
- Emphasis, whether it is focused on development or performance

and the implications for operating practices such as approaches to individual development, performance management, compensation and decision making. Let's now take a look at the second of the workforce planning components: namely projecting how current workforce trends will likely influence future workforce composition. We will use an example (similar to a real case) of an organization of 15,000 people that has been in existence for 15 years. Leaders throughout the organization are beginning their workforce planning process and wish to know about possible attrition in the future, what this might mean for future hiring, and the cost and organizational value implications.

Using mathematical modeling we can estimate future attrition and hiring and the value implications. For example we can explore the influence of: varying attrition rates by years of service, a changing profile in how long people stay with the organization, and changes in the size of the workforce. Let's examine our organization of 15,000 people. For this example we will look at the case where three thousand people have been with the organization one, two and three years, while every other annual cohort contains 500 people. Attrition is 20% for those who have been with the organization one year, 30% for those who have been there two and three years, it then gradually falls to 5% for those with six or more years of service. With this basis we can now project what will happen to future attrition and what this means for future hiring. The following figure shows the results of the mathematical modeling process, projecting five years into the future based on a desire that the workforce grow 10% each year.

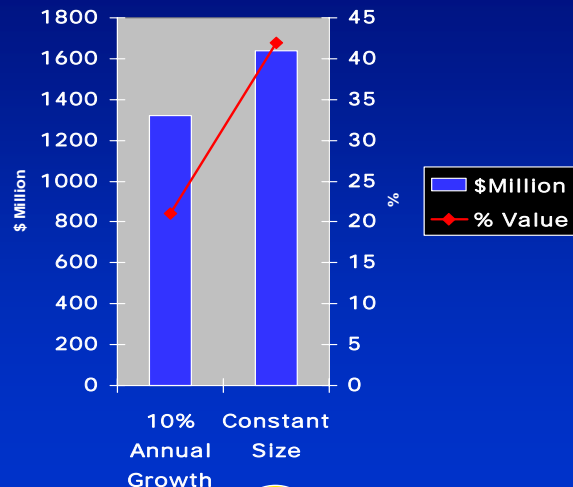
Example 10% Average Annual Growth



The solid line shows the workforce growing from its starting point of 15,000 people to almost 25,000 people after five years. The bottom line, with smaller dashes, shows the cumulative number of people lost by attrition if the historical attrition profile prevails. After five years the organization has lost more people by attrition than were present at the beginning of the five year period. To replace this loss and to accommodate growth aspirations, the organization has to hire a total of more than 25,000 people over the five year period (cumulative hiring is shown by the line with the larger dashes). This is a monumental task and speaks to the critical issues facing the organization. It can be expressed in terms of value as shown in the following figure:

The Organization: Example Simulation

- ▶ How will attrition impact loss of company value over the next five years?
 - ▶ Average salary of \$50,000
 - ▶ Average attrition cost of 1.5 x annual salary



Here we see the value subtracted from the organization over the next five years due to attrition for two cases: the first, which we just examined, 10% per year growth in the workforce, and the second maintaining constant size of the workforce (15,000 people) over the five year period. The bars in the figure, which refer to the left vertical axis, show the calculated value that is subtracted from the organization due to attrition, in millions of dollars using the assumptions shown on the figure. The red line, which refers to the right vertical axis, shows this subtracted value as a % of total organizational value. We see that for the earlier example of 10% per year growth of the workforce, attrition subtracts \$1.3 billion or 21% of the value of the organization over five years. The lost value is even greater for the constant workforce case due to the opportunity cost of lost growth.

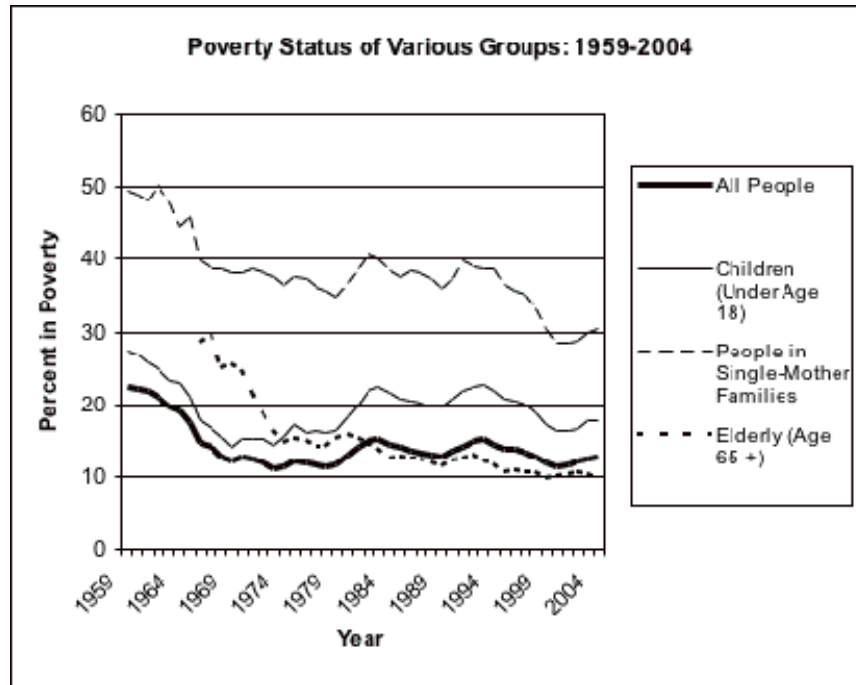
Given these projections, it is clear that for this organization there is a substantial incentive to invest in stemming the tide of attrition. This will likely begin with appropriate diagnostic tools to understand root cause concerns (see the June 2005 issue of *Bringing Work to Life*), followed by taking steps to strengthen affiliation (see the November 2005 issue of *Bringing Work to Life* for a discussion of affiliation).

The modeling aspect of workforce planning helps guide and focus decision making by quantifying the incentives to commit resources, the potential benefits of such commitments and, as a result, the expected contribution to value creation. As such, it is an important tool to help provide key insights into how to secure the workforce needed for the future.

Some of the material in this article is extracted from *Affiliation in the Workplace* by Ron Elsdon, Praeger, 2003.

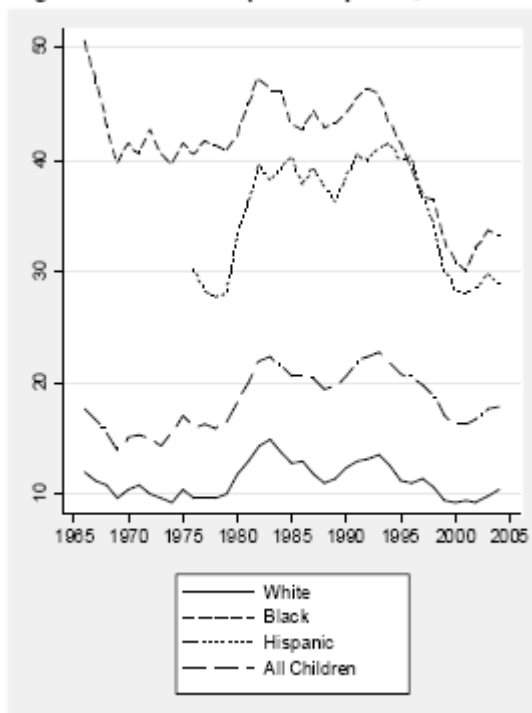
Social and Economic Trends

Information from the U.S. Bureau of Census (U.S. Bureau of the Census, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, Report P60, n. 229, Tables B-1 and B-2, pp. 46-57). shown in the following figure continues to point to a disturbing increase in poverty that is again emerging in the 2000s, just as it did in the 1980s.



In this affluent society of ours we are failing to meet our obligations to future generations, as it is children who are bearing the brunt of these recent disturbing trends. The following figure shows how the gains that were made in the 1990s are rapidly eroding in the 2000s for children. (Source: Austin Nichols “Understanding Changes in Child Poverty Over the Past Decade” The Urban Institute, May 2006.)

Figure 8. Child Poverty Rates by Race, 1966–2004



These trends come from choices we make in social policy, taxation and in the lack of equity in distributing the fruits of our labor in organizations. They result from growing inequity in income in our society. The following table provides insights into how this inequity varies by State. Here the comparisons are between families in

the top and bottom and bottom fifth of income, and between those in the top and middle fifth. (Source: Jared Bernstein et al, "A State-by-State Analysis of Income Trends" Economic Policy Institute, January 2006.)

TABLE A: TOP TEN STATES FOR SELECTED INCOME INEQUALITY MEASURES	
Greatest Income Inequality Between the Top and the Bottom, Early 2000s	Greatest Income Inequality Between the Top and the Middle, Early 2000s
<ol style="list-style-type: none"> 1. New York 2. Texas 3. Tennessee 4. Arizona 5. Florida 6. California 7. Louisiana 8. Kentucky 9. New Jersey 10. North Carolina 	<ol style="list-style-type: none"> 1. Texas 2. Kentucky 3. Florida 4. Arizona 5. Tennessee 6. New York 7. Pennsylvania 8. North Carolina 9. New Mexico 10. California
Greatest Increases in Income Inequality Between the Top and the Bottom, Early 1980s to Early 2000s	Greatest Increases in Income Inequality Between the Top and the Middle, Early 1980s to Early 2000s
<ol style="list-style-type: none"> 1. Arizona 2. New York 3. Massachusetts 4. Tennessee 5. New Jersey 6. West Virginia 7. Connecticut 8. Hawaii 9. Kentucky 10. South Carolina 	<ol style="list-style-type: none"> 1. Kentucky 2. Pennsylvania 3. West Virginia 4. Indiana 5. Hawaii 6. Texas 7. Tennessee 8. North Carolina 9. Arizona 10. New York
Greatest Increases in Income Inequality Between the Top and the Bottom, Early 1990s to Early 2000s	Greatest Increases in Income Inequality Between the Top and the Middle, Early 1990s to Early 2000s
<ol style="list-style-type: none"> 1. Tennessee 2. Connecticut 3. Washington 4. North Carolina 5. Utah 6. Texas 7. West Virginia 8. Pennsylvania 9. Florida 10. Maine 	<ol style="list-style-type: none"> 1. Kentucky 2. Pennsylvania 3. North Carolina 4. Indiana 5. Tennessee 6. Texas 7. West Virginia 8. Vermont 9. New Jersey 10. Connecticut

Here is the perspective of Muhammad Yunus, the 2006 recipient of the Nobel Peace Prize, in an address to the University of the South in Sewanee, Tennessee in 1998. "We have created the present world in this particular manner because our minds were trained to behave in a particular set of ways which led to this formulation of the world. If we train our minds to think differently we can create another kind of world. For example, we accept the fact that we'll always have poor people around us. So we have poor people around us. If we had believed that poverty should not belong to a civilized human society, we would have created appropriate institutions and policies to create a poverty-free world. We wanted to go to the moon --- so we went there.

If we are not achieving something, my first suspicion will fall on the intensity of our

desire to achieve it. I strongly believe that we can create a poverty-free world, if we want to. We can create a world where there won't be a single human being who may be described as a poor person. In that kind of a world, the only place you can see poverty will be in museums. When school children will be on tour of the poverty museums, they'll be horrified to see the misery and indignity of human beings. They'll blame their ancestors for tolerating this inhuman condition to continue in a massive way.

My work in Grameen has given me a faith; an unshakable faith in the creativity of human beings. That leads me to believe that human beings are not born to suffer the misery of hunger and poverty. They have much more important things to do than struggle for physical survival. They suffer from miseries and indignities of poverty because we trained our minds to accept the fact that nobody can do anything about poverty except offering charity.”

In founding the Grameen Bank, Muhammad Yunus made resources available to those in abject poverty and provided a foothold to begin a climb out of poverty. We can emulate this inspiring act and provide our vastly greater resources as a blessing to all those in our society.

Quotes

“We have grasped the mystery of the atom and rejected the Sermon on the Mount ... Ours is a world of nuclear giants and ethical infants.”

General Omar Bradley

“Can't run no more
With the lawless crowd
While the killers in high places
Say their prayers out loud”

Leonard Cohen, Anthem

“... wars are poor chisels for carving out peaceful tomorrows. One day we must come to see that peace is not merely a distant goal that we seek, but the means by which we arrive at that goal.”

Martin Luther King Jr.

Upcoming Elsdon Organizational Renewal (EOR) Events and Recent Mentions

Upcoming Events/Recent Publications

- Presentation for U.C. Berkeley, Haas School of Business, April 18, 2007, “Progressing Outside Your Organization.”
- Presentation for John F. Kennedy University, School of Management Open House, April 26, 2007, “The Have’s and Have-Not’s: The Growing Divide, Implications for America’s Workforce.”

- <http://www.jfku.edu/oh/04262007/>
- “The Growing Divide Calls for Advocacy.”
 - Article in March, 2007, NCDA Career Convergence magazine
 - <http://209.235.208.145/cgi-bin/WebSuite/tcsAssnWebSuite.pl?Action=DisplayNewsDetails&RecordID=947&Sections=&IncludeDropped=1&AssnID=NCDA&DBCCode=130285>

Recent Mentions

- Reviews of “Affiliation in the Workplace: Value Creation in the New Organization.” Ron Elsdon. Praeger, Westport, CT (2003)
 - Harvard Business School
 - [HBS Working Knowledge: Organizations](#)
 - Global Diversity Institute
 - [Global Diversity Institute - The Journal of Diversity Praxis](#)
 - Journal of Asian Economics
 - [ScienceDirect - Journal of Asian Economics : Ron Elsdon, Affiliation in the Workplace: Value Creation in the New Organization, Praeger Publishers, Westport, CT \(2003\) 280 pp. \(hardcover\), ISBN 1-56720-436-8, \\$49.95.](#)
 - Greenwood Publishing Group
 - [Affiliation in the Workplace — www.greenwood.com](#)
- Chapter titled “How Can You Grow Your Practice with Purpose?” in National Career Development Association Monograph, “Starting and Growing a Business in the New Economy” Edited by Sally Gelardin, 2007
- Recorded webinar for Project Management Institute
 - “Becoming Career Fit in Turbulent Times”
 - <http://pmi-issig.org/Default.aspx?tabid=319>
- “Building a Strong Workforce Through Affiliation.” Chapter 26 in “On Staffing: Advice and Perspectives from HR Leaders.” Eds. Nicholas Burkholder et al, John Wiley & Sons, Inc., Hoboken NJ (2004)
 - <http://www.wiley.com/WileyCDA/WileyTitle/productCd-0471410691,descCd-tableOfContents.html>
- “Reaching for Our Deep Gladness”
 - Article in May, 2005, NCDA Career Convergence magazine
 - <http://209.235.208.145/cgi-bin/WebSuite/tcsAssnWebSuite.pl?Action=DisplayNewsDetails&RecordID=625&Sections=6&IncludeDropped=&AssnID=NCDA&DBCCode=130285>
- Mention in article on cost of turnover

- East Bay Business Times, April 2005
 - [Turnover costs exceed employers' estimates - 2005-04-25](#)
- “Worklife Survival: Finding a Fit”
 - Article for HR West, February 2005 (Northern California Human Resource Association)
 - <http://www.nchra.org/StaticContent/Download/EXT0205007.pdf>
- Interview in the education field “Affiliation as a Unifying Principle in Education”
 - Career Pro News
 - [Affiliation and Education](#)
- MBTI Step II workshop
 - CCDA News, April 2005
 - [Local Chapter News](#)
- Review of ICDC Global Issues Forum
 - CCDA, January 2005
 - [ICDC Global Issues Forum](#)

About EOR: Our Value Contribution

We enhance your workforce, leadership and organization by:

- Using proprietary approaches to understand workforce and leadership challenges
- Creating tailored action plans and solutions to strengthen workforce and leadership practices
- Building individual capabilities and contributions

We enable you to focus on external results and building value, confident that your organization and leadership are operating at peak effectiveness.

Our Mission

To support your organization by enhancing performance, productivity and effectiveness through revitalized workforce relationships and leadership practices.

Our Approach and Values

We tailor our engagements to the needs of each organization with a process designed to surface critical issues, identify root causes, build effective solutions, monitor progress and implement.

With a scope that ranges from system and organizational interventions to work with individuals, our focus is on the heart of the relationship among the individual, the organization and the community. We believe that organizational and community prosperity are built on enabling each person to fulfill his or her potential.

Our Services

We work with individuals and groups in your organization to drive performance and development for both the short and long term. As a result people will choose to work in your organization and will prosper there.

We bring solutions when you need to:

- Reverse declining revenues and performance
- Revitalize your workforce
- Stem the loss of key talent
- Redirect your organization to new areas
- Stop losing customers or market share
- Penetrate new markets
- Combat aggressive competitors
- Handle major change
- Break down communication barriers
- Energize your leadership team
- Successfully build on an acquisition or merger

Our proprietary services include:

- State-of-the-art tools to take the pulse of your organization and then move to action
 - Web enabled systems
 - Experts to gather and analyze information, moving your organization to action
- Individual leadership coaching to give you world class leadership capabilities
 - Leaders who know themselves and their aspirations, build their capabilities and become catalysts developing others
- Workshops to build interpersonal skills in your organization so that:
 - Communication is timely, concise, accurate and personal
 - People listen to each other
 - Negotiations are quick and effective
 - Differences create rather than destroy value
 - Teams move forward, get results and quickly commercialize new products and services

- People understand and link their motivations to your organizational needs
- Your teams understand what it takes to create a committed, energized workforce
- People use their time well
- Systems that make it easy to drive performance and build capabilities by:
 - Linking objectives throughout the organization
 - Strengthening key competencies
 - Making sure you have the bench strength where and when you need it
 - Giving people tools to take charge of their own careers and development and have a major long term influence on your organization
- Proprietary simulation and modeling techniques that let you explore how to maximize the value of your workforce
 - Move from guessing what might happen to looking in depth at the financial impact of different approaches