

An overlooked strategy to drive HR effectiveness during the toughest times



IN THE POST-PANDEMIC WORLD, EMPLOYERS NEED TO
FOCUS ON OPTIMIZING THEIR WORKFORCES IF THEY EXPECT
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An overlooked strategy to drive HR effectiveness during the toughest times

For many employers and their HR leaders, the past 18 months have been nothing short of unprecedented turmoil. From supporting an unplanned remote workforce, to meeting changing worker expectations, to redeploying frontline workers to new locations and roles, saying that change has been dramatic is an understatement.

In fact, it's no stretch to say that these COVID-19-fueled challenges came with an amplified, highly accelerated demand for workforce management strategies and solutions that may have been overlooked by most employers pre-pandemic.

Experts believe one such strategy that has been emerging during pandemic times is the growing need for optimizing the workforce. Simply defined, workforce optimization combines the efficiency of automated workforce management with the flexibility of an agile, skills-based talent approach. The result? Improved employee engagement, business continuity and profitability.

In short, while employers in the past have had to pivot in response to changing business conditions, with COVID-19 they faced the most daunting scenario that has ever rocked the business world.



Diana Kearns-Manolatos

optimization as part of a new way to deploy talent management.

According to Diana Kearns-Manolatos, senior manager with Deloitte's Center for Integrated Research, the COVID-19 pandemic certainly has fueled the need for improving and driving workforce

"The global pandemic dramatically impacted global labor markets and organizational strategies," she says. "Whether a company was positively or negatively impacted, either scenario resulted in a major shift in business strategy and a need to quickly transform and change with operations and workforce strategies most closely impacted."

In both cases, Kearns-Manolatos adds, organizations started to explore how to use the opportunity for external talent or internal talent marketplaces to move the workforce where it was needed most, and in doing so also began to better understand what skills they have in the workforce today and how to best align them for the good of both the individual and the organization.

Suzy McKee, principal solution marketing manager at Workday, explains that even in pre-pandemic times, jobs were changing quickly, forcing employers to be more flexible and fluid with worker roles becoming transformed as they moved across different teams and tasks. Also, HR leaders were already in a critical role helping their organizations manage the workforce and successfully steering their companies through change. But with COVID-19's arrival, nothing compared.

"Operating models changed overnight to react to different consumer behaviors and needs, causing businesses to rethink how they operate, including a renewed focus on health and safety," McKee says. "It's been an incredible rate of change, with dramatic digital



Suzy McKee

acceleration aimed at transforming those operating models for profitability.”

McKee says Workday saw how a radical shake-up in workforce operations had thrown old planning and forecasting models completely out of whack, and clearly demonstrated the need for rapid reskilling and redeployment. For example, McKee cites an Accenture survey that found 93% of executives say their very existence today is jeopardized by operating models that can't keep up.

Many businesses were also trying to get through the pandemic with outdated, siloed HR, workforce management and talent systems — a losing proposition.

Helping steady the ship during unpredictable times

And that brings the discussion to the workforce optimization challenge.

Kearns-Manolatos echoes that while the pandemic has had a dramatic impact on the workplace, the trend toward a more digital, tech-enabled, and more agile workforce was well underway during the past decade.

“The last part of the equation was really embracing remote work and the digital workplace as an acceptable norm, which may not have happened at the scale and speed that it did otherwise. But now that it has, there's no going back,” she says.

Workforce optimization, Workday's McKee says, is an approach that can help employers adapt in unpredictable times and quickly pivot the workforce to support change and new opportunities. For instance, she notes, when employers don't have a complete, accurate view of their workforce skills and costs, when they can't continuously plan and execute in an

environment of rapid change, and when they can't support growth at a pace needed to sustain the business, significant risks are potentially lurking around the corner:

- Compliance, including litigation costs and potential fines
- Missed profitability targets
- Poor business performance resulting from a lack of timely, accurate data and metrics, and potentially working off inaccurate business forecasts
- Limited business growth that means employers are not able to scale at the pace needed to implement business changes due to siloed, stagnant processes

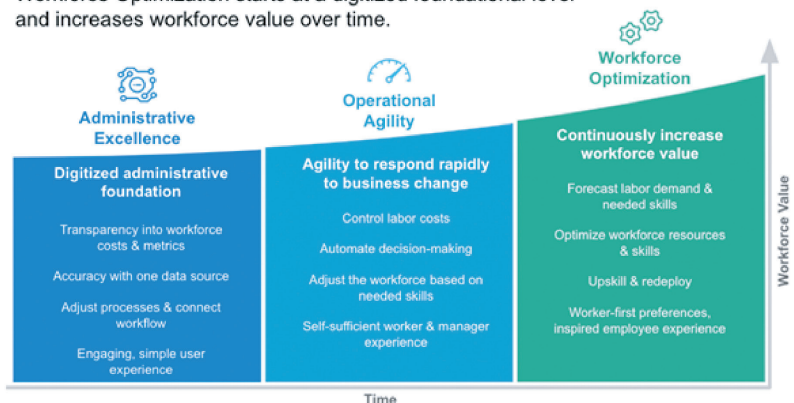
“COVID amplified these risks,” she says, adding that without the ability to fully optimize the workforce, employers can't keep pace to support changing business initiatives — launching new business models, redeploying workers, supporting worker expectations, or transitioning to remote work — if processes, data and teams are not connected and running smoothly. In short, optimized.

And that scenario amplifies why operational agility is more important today than ever, according to Kearns-Manolatos.

“We live in a world of continuous disruption and change, and therefore, becoming a resilient organization is now a business imperative,” she

Workforce Optimization Journey

Workforce Optimization starts at a digitized foundational level and increases workforce value over time.



says, citing Deloitte's 2021 Global Resilience study, which found that six out of 10 leaders expect to see occasional or pervasive global disruption at the scale of COVID-19 and climate change going forward as the norm; yet, 70% don't have complete confidence in their organization's ability to pivot and adapt to disruptive events.

"In this type of environment, where change is the rule, being adaptable with agile operations and a flexible workforce will be a cornerstone for competitive advantage," Kearns-Manolatos says.

Agility's component parts

Workday's McKee breaks down operational agility into these key objectives:

Build the workforce operations foundation needed for administrative excellence —

Organizations need to digitize administrative tasks and eliminate the tedium of paper and spreadsheets. Also, this requires a single data source leading to accurate payroll and a clear understanding of workforce metrics, as well as driving connected processes and workflows.

Gain the operational agility to quickly flex and adjust the workforce to change —

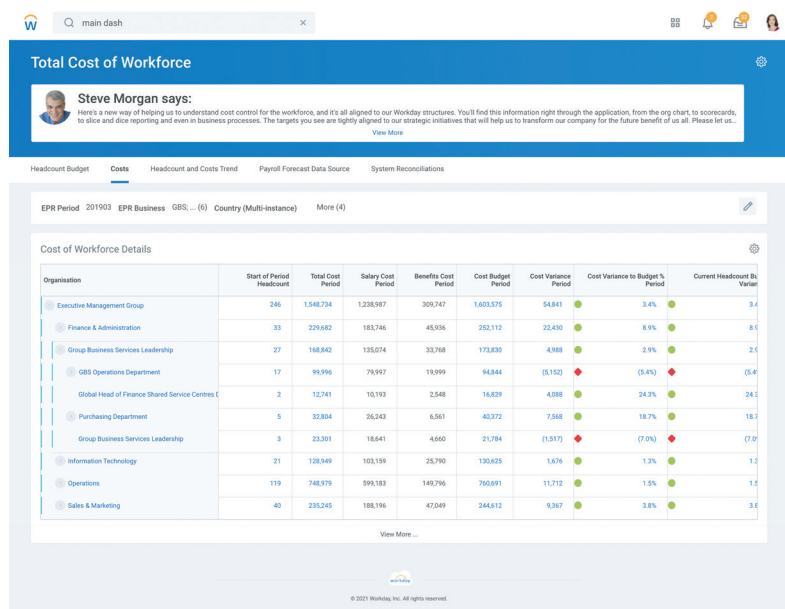
Employers need a system to help them flex and adjust the workforce to change, as well as to better control labor costs by automating time-consuming manual tasks and decision making. It also entails clearly understanding the workforce skills available so they can accurately and quickly adjust, while also addressing skills gaps and planning for the future. Finally, it helps workers and managers be more engaged and productive with an improved employee experience.

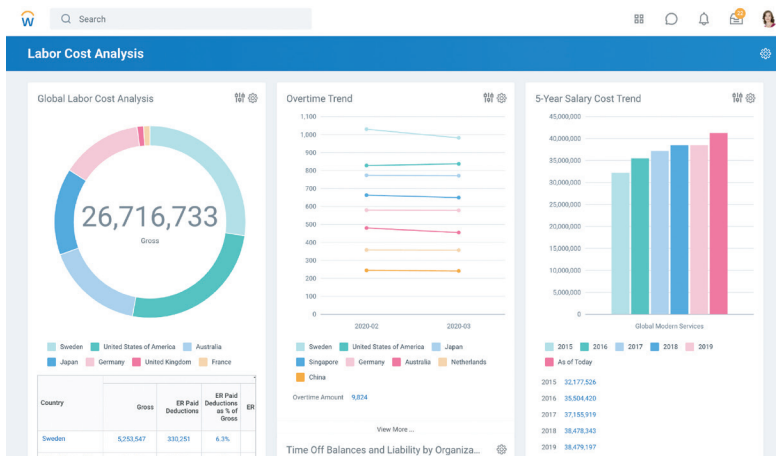
Optimize the full value of the workforce to drive business goals — A fully optimized workforce is possible to achieve,

but organizations need to continuously optimize and drive more value from their workforce. For employers with a large hourly workforce, for instance, they need predictive abilities to forecast labor demand and needed skills, as well as the ability to continuously upskill and reskill their workers. Plus, the worker experience, primarily mobile, must allow workers to designate when and where they'd like to work, take additional learning, sign up for additional shifts, communicate with their managers, and generally have more say and control over their work lives.

McKee also says employers need to optimize their workforce because it will deliver more value to the business, calling it an "evolved approach and mindset" — from point-in-time workforce planning, execution and analysis to continuous optimization, including:

- **Workforce Value:** Where customers move on from viewing workers as widgets and labor costs, to engaged, skilled contributors to business outcomes and the organization sees workers not simply as a cost center, and companies are investing in the business by upskilling.





- **Workforce Ecosystem¹:** Instead of workers being of one type, always in one role or location, shift to a flexible internal and external workforce with skills that can be applied anywhere the business needs it and in which labor costs are clearly understood and managed.
- **Workforce Potential:** Where HR has more than a job profile in an HR system, and instead a clear understanding of a worker’s capability, contribution and growth potential as well as a way to better measure labor costs, headcount, worker contribution to profitability, revenue and productivity.

“Older static HR and workforce management systems were not built to sustain the pace of change,” McKee says. “They’re for a world that no longer exists.”

Technology is the critical component

Finally, workforce optimization places a heavy focus on using technology such as artificial intelligence to automate time-consuming tasks, provide critical information to workers and managers right in the flow of work, and make it much easier to create and adjust

¹ E.J. Altman, J. Schwartz, D. Kiron, R. Jones, and D. Kearns-Manolatos, “Workforce Ecosystems: A New Strategic Approach to the Future of Work,” MIT Sloan Management Review and Deloitte, April 2021.

new organizational structures to support change and times of unpredictable disruption.

For CHROs and other HR leaders, technology/Human Capital Management, in fact, can help them realize solutions to these previously overlooked challenges.

For example, Kearns-Manolatos says some employers have seen tremendous success over the last year in piloting and expanding their internal talent marketplaces to redeploy existing talent

to where it has been most needed in their organization, and as a way to invest in their talent with new career building approaches.

“Internal talent management can’t be prioritized at the expense of optimizing the broader workforce ecosystem,” she says. “As a result, talent management strategies and technologies need to adapt to think about not only internal employees but the total workforce across a workforce ecosystem structure - including contractors and service providers.”

Kearns-Manolatos adds that reskilling the workforce will need to be a key aspect of workforce transformation strategies going forward. The 2021 MIT Sloan Management Review Deloitte Future of the Workforce report found 91% of respondents agree or strongly agree that upcoming changes to their organization’s business strategy require it to improve access to new capabilities, skill sets, and competencies, which will require employers to think about how to access and curate new skills, enable work automation, engage through digital capabilities, and transform the organization including ways of working.

“Technology and especially HCMs have an important role to play in helping organizations to manage internal and external talent to create a holistic view of the workforce and to support marketplace and skill-building strategies,” she says.

McKee says that the swift acceleration into the future of work has presented some added new challenges much sooner than anyone expected, especially the increasingly diverse workforce of hourly, contingent, billable, and gig workers.

“Organizations must be prepared for a more resilient future — one in which there could be continued shocks from disruptions like natural disasters or health crises that must be overcome,” she says. “In the midst of continuous shocks they also need to be able to stand up new revenue streams and business models, with a workforce ready to support them.”

The goal, she adds, is both to protect the business and increase resilience to better withstand (and potentially even capitalize on) future marketplace disruptions, fluctuations in business demand, and changes in business strategy. McKee explains that while some organizations were able to successfully respond

during the pandemic, many were caught flat-footed — i.e., they couldn’t harness their workforce to adapt to the massive change. Today, to prevent that from happening again, that outdated technology needs to be replaced with more modern, effective platforms that offer a way to optimize the workforce.

Talent competition is getting even more intense

McKee concludes by explaining that currently there is fierce competition for talent at all levels — for example, citing the U.S. Bureau of Labor Statistics data point that in April 2021 alone more than 659,000 retail workers quit their jobs in search of better work. At the same time, knowledge workers also are “leaving in droves,” she adds, seeking new opportunities often to maintain flexibility and balance in their work and personal lives that the pandemic enabled.

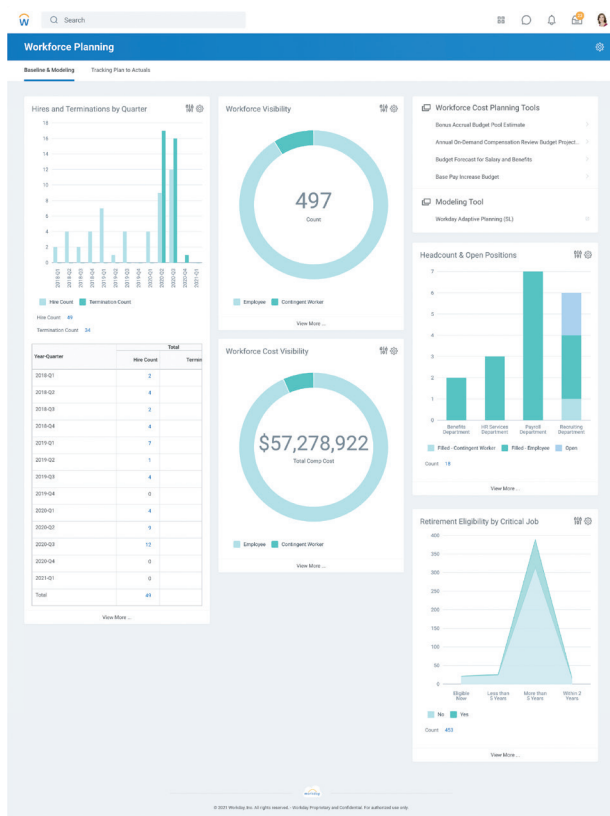
“It’s become even more critical to balance the needs of the business with the needs of individual workers across all industries,” she says. “The ability for HR and operations to adapt the workforce to change are now strategic differentiators in the marketplace.”

She adds that workforce optimization is a critical lever in driving business continuity and profitability through any type of change — whether a major global challenge like the pandemic, a new market opportunity, or new competitive pressure.

“By adopting the previously ‘hidden strategy’ of effective workforce optimization, employers can do more than just navigate business disruptions, no matter how unexpected. They can emerge even stronger,” McKee says.

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