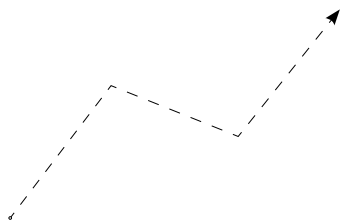


LABOR PLANNING: Agile Approaches for a Dynamic Environment



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Labor has traditionally represented the largest single cost for service organizations. According to the Bureau of Labor Statistics, labor costs - including staff and executive payroll costs and benefits, incentive compensation, contract and temporary help - account for nearly 70 percent of total operating costs. Add to this the other expenses related to headcount, such as travel, computers and communications, and labor can influence well over 80 percent of operating costs.

As organizations focus on managing costs and margins, the need to laser-focus on labor costs is critical. Even more challenging, the targeted level of these expenses represents a dynamic, ever shifting goal-post.

Luckily, this dynamism can be a strategic advantage: Labor is also often a flexible component of business where costs - and therefore margins - can be readily adjusted, making it an attractive area of focus for enterprises seeking short- to medium-term solutions to wobbly profit performance. A dip or shift in customer demand or an increase in other costs can be temporarily mitigated by altering staffing levels, such as through adjustments in hours worked, layoffs or delays in hiring. But knowing when, and by how much, to adjust staffing to improve return on investment is the true challenge.

While cost reduction is a driving force of labor planning, it isn't the only advantage: Having the

right size staff means that your organization can deliver a higher quality of service and reinforce brand value. Great organizations work diligently to staff appropriately, delighting customers and supporting a healthy employee environment while achieving financial goals.

The frequency by which businesses, and departments within a business, can flex their labor varies greatly. Front-line customer service organizations that use retail point of service - such as stores or bank branches - have a limited ability to flex their labor within the day, but can often plan schedules a few days ahead. Call centers frequently adjust staff scheduling intra-day, bringing on or not calling in capacity easily. Operations teams look to determine staffing needs for full-time personnel annually, updating it through forecasting and augmenting staff to handle anticipated peaks. Each

of these groups need tools and methods that can help them adapt using their own frequency.

How can businesses juggle the seemingly conflicting needs of maintaining operational agility and hitting profitability targets while still seeing strong ROI on labor investment? The answer: Dynamic labor planning that puts the emphasis on right-sizing the enterprise for fluctuations in the market, consumer demand and operational volatility.

Fighting Volatility with Agility

Traditionally, the key to right-sizing the labor force was looking at historical data, forecasting demand for human capacity and making a plan to meet that predicted need. Human Resources managers and other enterprise leaders would look back over the past year or several years of data related to consumer demand, labor costs and market fluctuations, then optimize labor accordingly.

Yet these plans required significant operational resources and were difficult to adjust in real time. Sudden market shifts or disruptive technologies routinely rendered any labor forecast virtually useless. The increasing speed and frequency in which markets and the business environment now change means that, in the span of minutes, the enterprise could find itself either with too much labor or not enough. Inappropriate staffing could mean missing Service Level Agreements with customers, consumer dissatisfaction exposed through social media, and an adverse impact on employee satisfaction - either from not being busy enough or from being stressed from work overload.

At the end of the day Labor Planning is about more than just reducing costs. Great organizations work to staff appropriately, delighting customers and supporting a healthy employee environment while achieving financial goals.

A Plan That Can Survive the Future

Over the past few years, automation and advanced predictive tools have helped organizations better maintain agility in the face of fluctuations. Business leaders are increasingly heeding the advice of the 19th century German general Helmuth von Moltke, who famously said "No battle plan survives contact with the enemy." In the battle to leverage and maintain profitability in turbulent markets, the ability to change operational direction day-by-day, even minute-to-minute, is the only way to survive.

The more recent availability of cloud-based planning and performance management platforms is helping managers see live data for reporting and forecasting on staff capacity utilization and projected activity levels in real time. This is in stark contrast to initiating an annual, quarterly or even monthly labor planning session and crossing fingers in the hopes that something big and unexpected doesn't render the forecast moot.

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Components of Optimal Labor Capacity

What makes platforms such as Anaplan, and the Labor Planning app developed by BetterVu, so vital is the ability to look at labor as part of an overall business process, manage multiple data inputs with granularity and optimize labor on a nearly minute-by-minute basis. This intelligence paints a comprehensive picture of the various drivers of labor demand and subsequent ROI.

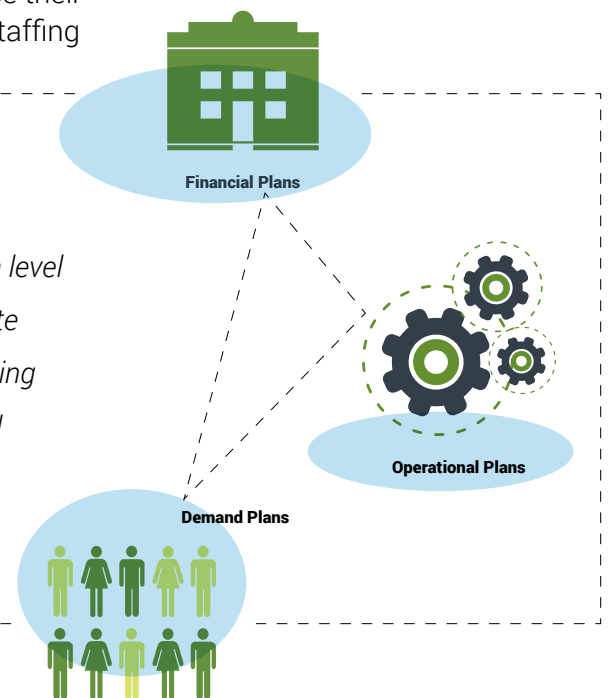
The four main components of this model are:

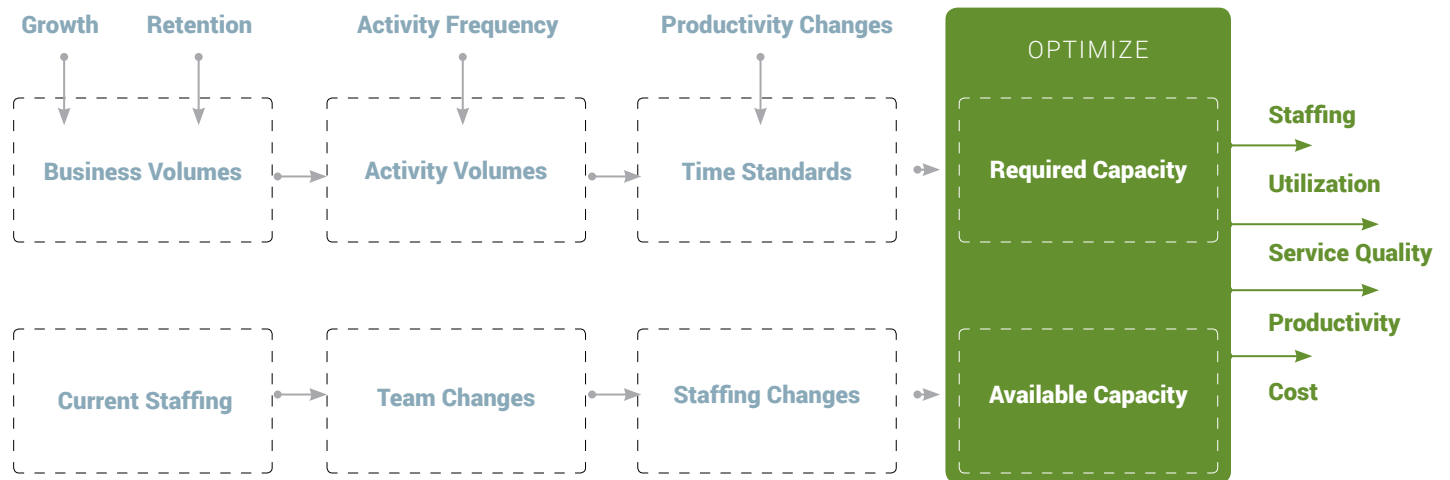
1. Driver-based activity planning
2. Required capacity planning
3. Staff planning
4. Optimization and performance management

Each component represents a key aspect of operations that, when combined, exposes the difference between required capacity and available capacity. The model synthesizes data into concise reports and dashboards that clearly show historical performance measures and how current staff resources can be better balanced or planned. Most importantly, the model enables skilled managers to exercise their discretion and experience to balance operational demand with staffing supply.

Driver-Based Activity Planning

The premise of Labor Planning is that business demand drives a level of operational labor requirements. Operational groups then create a labor staffing model that best meets those needs while achieving financial plans and goals. This is the foundation for a Connected Planning approach, leveraging an Activity Framework.





Employing an Activity Framework

Under this approach, Required Capacity is calculated based on the volume of work activity multiplied by the level of effort (time) required to complete each activity unit. For example,

$$\text{minutes required for all policy renewals (t)} = \text{number of policy renewals (n)} \times \text{number of minutes per policy renewal (t)}$$

The volume of renewals is derived based on the number of policies in force multiplied by a renewal frequency rate. Each activity is associated with a unique business volume driver, with the results aggregated to measure the total number of minutes for each activity, organized by role. This in turn can be converted to a staffing level in hours or FTEs.



The required FTEs can then be compared to the available FTEs in order for the manager to adjust staffing to best meet demand.

More Than Just Costs

In addition to measuring cost and utilization, a similar computation can be made to determine if service standards can be met. In a call center, this might be measured in average time to answer a call. In an operational group, this could be measured in the elapsed time to resolve a claim. In both cases, adjusting the level of staffing can have an impact on the ability to meet service standards.

Spreadsheets Aren't Enough

This approach lends itself particularly well to a multi-dimensional modeling platform, since effort or time by role and activity can vary by product and/or geography; activity frequency can vary by product, geography, and/or by month (seasonality); and staffing levels can vary by team and role. Solving for all these variables manually - or using traditional spreadsheets - is nearly impossible in a scalable environment. Interactive tools allow the manager to adjust scenarios in real-time to balance productivity, utilization, cost and quality targets.

A Living Optimization Guide: A Client Example

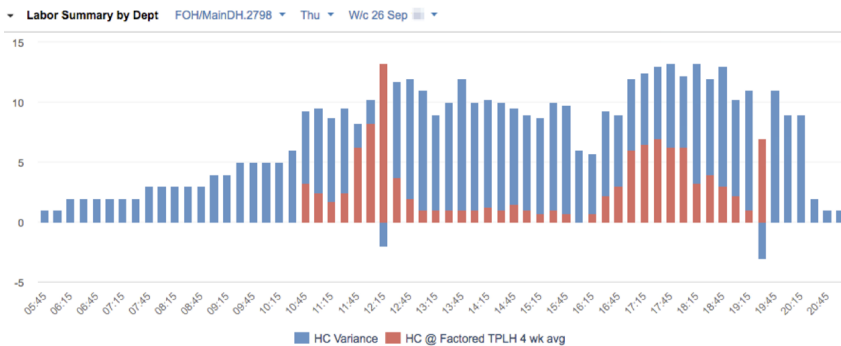
In a recent deployment involving food service giant and Fortune 200 company Aramark, BetterVu built an Anaplan model that aligned point-of-sale data from disparate locations with information culled from multiple time management systems. BetterVu deployed Aramark's new model and labor planning strategy live at eight sites within two weeks of the project start date. Aramark leveraged the Anaplan cloud-based forecasting platform to crunch data and develop a solution that worked across the entire company.

Over the past two years, Anaplan has allowed Aramark managers to forecast demand based on daily sales curves and other metrics, providing a living guide for staffing needs, yet one that gave managers the flexibility to manually adjust forecasts based on experiential knowledge, not just abstract data. Complete with a cloud-based user dashboard interface, this customized application enabled flexible logic and modeling, the ability to link disparate data sources and handle large transaction volumes. As a result, field management teams have more intelligence at their disposal. With nearly two years of data across multiple service units, Aramark has now been able to incorporate peer performance metrics to help guide managers discover new ways to optimize their performance in credible terms.

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Simplicity and Communication

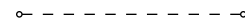
Of course, sophistication and agility aren't the only ways to measure the success of a labor optimization tool. Without simplicity and the functionality to communicate changing labor needs in real time, even the most intricate models and analytics won't be very useful on a daily basis.



Intuitive dashboards that present multiple operational vantage points, as well as offer real-time labor utilization and optimization insight in a straightforward and easy to interpret manner, are critical to success. When comparing actual versus required labor and measuring current productivity levels, execution strategies can be expressed in language anyone can understand. In the example above, where the red bar represents the optimal level of labor required to meet service levels, and the blue bar represents the execution gap or variance, pushing for “less blue” can be a useful operational mantra for driving an organization’s staffing decisions. Anyone at any level of an enterprise can quickly look at the report and respond immediately.

Right-Sizing: Meeting Demands While Reducing Unused Capacity

Through the deployment of advanced labor optimization analytics, organizations can zero in on the situations where staff levels are not aligned with business requirements. By easily and routinely visualizing these optimization gaps, managers can spot the areas where unused capacity drives up costs. Identifying these areas allows managers to quickly plan future staffing under alternative growth scenarios, significantly reduce unused staff capacity, optimize labor ROI and boost the bottom line.



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About BetterVu

BetterVu designs and implements innovative solutions that connect sales, operational and financial applications to enable transformational change. Anaplan is our canvas to bring Best Practices in Performance Management from vision to reality.



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