Employee-related costs often comprise the greatest share of corporate operating expenses. It is no surprise that executive management focuses on controlling employee expenses in every way possible.

At divisional and departmental levels, however, managers must make hiring and compensation decisions that will help their units meet objectives: hiring the right people for the right jobs, compensating them fairly, helping them become rapidly productive, and retaining them as long as possible.

Human Resources (HR) administers the headcount and compensation planning process. It makes sure managers adhere to corporate hiring and compensation policies. HR seeks forward visibility to hiring decisions so that it can source the best talent. It analyzes employee trends—like attrition—so that the corporation can make decisions to help retain top talent.

Consequently, executive management, finance, and HR are looking for tools and disciplines to manage headcount and compensation planning so that business unit decisions are aligned with corporate objectives.
Headcount and Compensation is linked by business drivers to various process areas in a corporation.

Enterprise headcount plans are dependent on a number of business drivers. For instance, sales forecast trends can have immediate impact on headcount in sales, marketing, and operations. Service KPI objectives can also affect headcount: If product failure rates are higher than expected, additional hotline support and on-site field service staff might be required.

Resource planning for product development and production also directly impacts headcount.

In turn, headcount can be a driver for operational plans in other functions. IT spending—like the number of computers or networks to purchase and deploy—is directly tied to headcount, which in turn drives IT helpdesk plans for staffing, infrastructure, and training.

Employee compensation is a driver of employee productivity. Merit increases tied to individual, team, divisional, and corporate performance objectives can have a significant impact on enterprise performance.

The key outputs of the process are headcount plans and compensation plans.
The process manages existing employee headcount, planning for new hires, fixed and variable compensation, and monitors performance.

During annual operational planning, all activity centers develop plans that include headcount and compensation. During the year, updated forecasts are periodically created, providing an opportunity to revise headcount and compensation plans.

The process typically starts by updating existing employee status. Some employees may take a leave of absence, transfer to other departments, and or be terminated.

The next step is to update the new-hire headcount forecast based on current business conditions. With a total headcount picture in place, managers typically adjust their compensation plans.

Annual salaries and quarterly, semi-annual, or annual bonuses are adjusted based on individual, team, divisional or corporate performance. Stock options or restricted stock may be granted as well.

During headcount and compensation planning, managers must comply with established HR policies. After forecasts have been updated and approved, various functions and departments will monitor employee-related performance. For instance, HR will monitor the new-hire pipeline to ensure it can provide the best candidates at the right time, and will monitor trends like attrition, so that executive management can work to enhance employee productivity.
A typical workflow supporting Headcount and Compensation Planning.

Headcount and Compensation Planning is a collaborative effort to align departmental staffing requirements with corporate objectives: Corporate management typically tries to control headcount-related expenses, while divisional managers try to make headcount and compensation decisions that optimize departmental efficiency and productivity.

HR ensures compliance with corporate policies. As they update existing employee status, staff managers must be aware of leave-of-absence, inter-departmental transfer, and severance policies. After adjusting the status of existing employees, staff managers update new-hire plans. Business conditions may dictate an increase or decrease in headcount projections or a shift in new-hire timing.

Compensation planning typically occurs annually for salaries, and more frequently (perhaps quarterly) for variable compensation like bonuses and other incentives such as stock option grants.

Headcount and compensation expenses are consolidated across the enterprise through the corporate expense planning and control process.
Most companies plan using HRM systems and spreadsheets, resulting in error, delay, and difficulty in aligning divisional headcount and compensation decisions with corporate financial objectives.

Human Resource Management (HRM) systems are useful for managing current and historical employee information in a secure, scalable manner, but not so useful for managing forward-looking employee information: How many new hires will departments plan to hire over the next 12 months by role, grade, and compensation rate? This is typically handled with a separate manual spreadsheet process, leading to slow, disconnected, and error-prone planning.

Outside the annual operating plan cycle, it is difficult to update enterprise-wide headcount forecasts. If revenue projections run ahead of the annual plan, for example, headcount in sales and customer service should increase proportionally. But without links to headcount drivers, such proportional increase likely won’t occur.

HR has little visibility into updated new-hire forecasts, which limits its ability to manage the new candidate pipeline. Consequently, the best candidates are not necessarily available when really needed. And if HR has no early visibility into employee attrition trends, executive management will lack information for taking corrective action.

Compensation expense forecasts are gross averages, and not tied to individual employee headcount plans, so corporate expense plans are inaccurate and take months to create.

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High-performance companies replace manual spreadsheet process with robust multi-dimensional modeling and integrated workflows to help reduce errors, improve control, and boost accountability.

With Cognos Planning, staff managers are able to update existing employee status information as changes occur: An employee takes a leave-of-absence; another is transferred to a new department; another is recruited by a competitor.

Staff managers are able to quickly update new-hire headcount forecasts based on real business events, like changes in customer service KPIs to warrant additional hotline or on-site field support headcount.

During compensation planning cycles, staff managers update compensation expense forecasts tied to actual existing employee changes as well as new hires, so finance doesn’t have to settle for gross averages when determining headcount expenses.

HR has immediate visibility into updated new-hire forecasts as changes take place and can now manage the new-hire pipeline more effectively. Revised total headcount expense forecasts can be synchronized monthly with the corporate expense plan.

The whole process now takes only weeks, and results in accurate, reliable alignment of corporate expense plans with divisional headcount and compensation decisions.
The Headcount and Compensation Planning Blueprint enables an integrated process that aligns corporate financial objectives with divisional workforce decisions.

Cognos Plan-to-Perform Blueprints are pre-configured solution building blocks that allow companies to jump start their implementations. Blueprints are pre-defined data models that encapsulate the collective best-practice knowledge from the Cognos Innovation Center for Performance Management and its leading customers in specific business process areas. In the hands of Cognos Implementation Services consultants, Cognos certified implementation partners, or experienced customers, Blueprints enable streamlined project implementation schedules and improve project success rates.

The Headcount and Compensation Planning Blueprint enables companies to align corporate financial objectives with divisional workforce decisions. Linkages to business drivers in other planning areas—like sales or customer service—can be established to ensure proper alignment with headcount plans. Staff managers throughout the corporation can manage existing and new employees headcount from one integrated system. Salary, merit, and bonus decisions can be managed at the employee and/or group level. The complexity of fixed and variable compensation requirements can be managed for any industry across many countries.
Cognos Plan-to-Perform Blueprint helps manage headcount and compensation decisions in a customer service department.

A company is experiencing unexpected new product failures. The customer service manager confirms an increase in service call rates and requests that line managers pay special attention to relevant KPIs during monthly forecasting.

Using these KPIs, managers see the need for additional service headcount during the next six months, and adjust employee plans: Several staff are temporarily transferred to hotline support and field service. New-hire plans are adjusted to increase headcount in the next quarter. Compensation plans are adjusted to reflect overtime required in the two months prior to new hires.

HR has immediate visibility into the quarterly new hire plan and begins lining up the best candidates.

Finally, finance synchronizes customer service headcount and compensation plans with overall corporate expense plans in mere weeks, leaving plenty of time for analysis.
The Headcount and Compensation Planning Blueprint is based on proven best practices from companies like Ceridian who implemented Cognos to improve its workforce planning process.

Ceridian Corporation is an information services company focused on human resource, transportation, and retail markets. The company’s human resource solutions enable customers to outsource employment processes such as recruitment and applicant screening, payroll, tax filing, human resource information systems, employee self-service time-and-labor management, and benefits administration.

To operate more effectively and competitively, Ceridian launched an initiative to improve the infrastructure for management planning, budgeting, forecasting, and reporting. Key goals were to streamline processes, reduce budget cycles, and improve the ability to manage workforce productivity and overall costs.

Ceridian uses Cognos Planning to help manage and allocate its workforce resources. The solution interfaces directly with Ceridian HR and financial systems. The end result is a single workforce management portal which helps staff managers align workforce decisions with corporate objectives.

**BUSINESS CHALLENGES**
- Difficulty in planning and forecasting enterprise labor costs accounting for 50 percent of operating expense structure
- Inability to proactively allocate staff resources to priority initiatives due to incomplete view of resource utilization and deployment

**SOLUTION APPROACH**
- Implemented Cognos Planning to manage headcount planning and align workforce decisions with corporate objectives

**BUSINESS VALUE DERIVED**
- Increased collaboration across geographies, business units, and corporate functions
- Increased level of insight and decision support
- Flexibility to model continuously changing business conditions
- Better visibility into operations—"one version of the truth" for performance
- Proactive management of human capital

“In a very short time we could project and identify which departments in the organization are growing. This is especially important because there are hundreds of departments in the organization. When we see labor costs rising, we can identify where in the organization it is happening and delve deeper into the situation to ... determine the ‘whys’.”

— DIRECTOR OF PLANNING AND ANALYSIS
Ceridian
The Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation planning and performance management practices. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.