



# **Workforce Planning: Strategic Insourcing Is Your Competitive Advantage!**

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**“As of Q4 2010, consultants, independent contractors and other contingent workers accounted for nearly 68 percent of new private sector jobs.”**

— U.S. Department of Labor

Human capital theory was developed by Theodore Schultz and Gary S. Becker in the early '60s (Schultz, 1961). Their central thesis states that education enhances a person's skill level and thereby his or her value to an organization. In today's business environment, “human capital” refers to the knowledge, skills and ability that reflect the accumulated value of an employee's education and experience. To be “right-sized,” an organization must have the ability to manage the inventory of human capital assets. This isn't a simple task, as it requires significant planning. Workforce planning is used to align the needs and priorities of the business with those of its workforce to ensure it can meet strategic objectives. Many organizations undertake a rigorous analytic approach employing predictive analysis to estimate talent gaps, forecast operational and recruiting budgets and to manage attrition.

In 2009, Madeline Laurano with Bersin & Associates found that 92 percent of companies report some level of workforce planning. However, only 21 percent of these companies take a strategic, forward-looking approach to their workforce planning initiatives. Laurano states that compared to other departments, HR is less focused on its own internal workforce planning. As HR and learning and development functions seek to increase their worth and brand equity within an organization, they will need to ensure the alignment of their initiatives with overall business strategy and plan for the supporting workforce.

The lack of strategic workforce planning is a critical oversight for many learning and development (L&D) departments. Now more than ever, L&D departments require agility and flexibility to meet the fluctuating strategic changes and customer needs. Ultimate flexibility is provided by building out a variable workforce model. Such a model allows for support of immediate unplanned needs and staff adjustment based on budgeting. The contingent component of a typical L&D workforce model may consist of any of the following:

**Table I.** L&D Contingent Workforce Models Defined

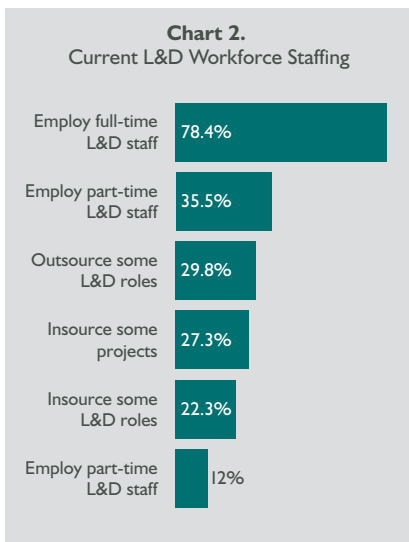
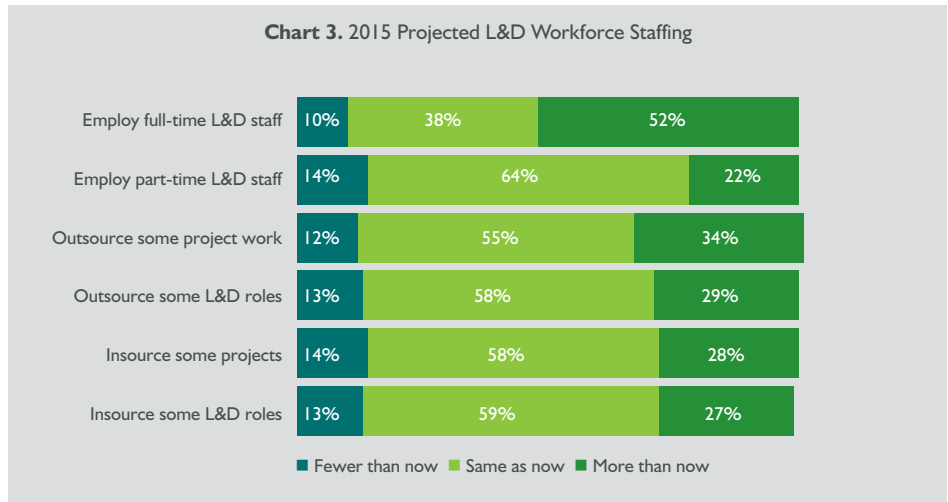
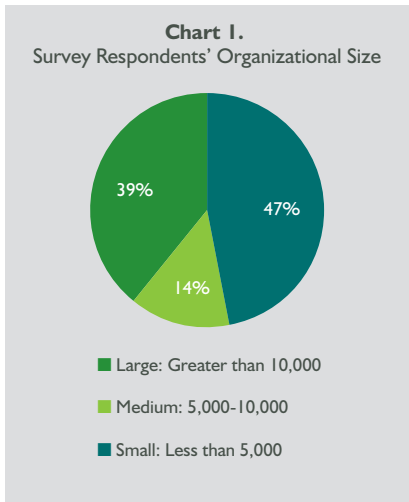
**CONTINGENT WORKFORCE MODELS**

Characteristics	Outsourcing/Offshoring	Insourcing	Temporary staffing
Typical length of time of the assignment (long = years; short = months)	Both long and short	Both long and short	Short
Is resource assimilated into the organization?	No	Yes	Sometimes
Does resource typically work onsite or offsite?	Offsite	Both	Onsite
Is client able to directly oversee the activities of the insourced resource?	Limited	Yes	Yes
Is proprietary knowledge integrated into the client's knowledge base?	No	Yes	No

Clearly, it is critical that an organization has the right mix of human capital with the right knowledge, skills and abilities in place to meet its strategic goals. As seen in Table I, insourcing can play a critical role in the workforce model, and therefore must be planned. In partnership with Clarity Consultants, Human Capital Media (HCM) Advisory Group conducted extensive research into the viability of incorporating insourcing into the L&D workforce model. The project consisted of mining multiple years of survey data, supplemented by a focus group made up of L&D practitioners and consultants, and a survey of 488 L&D practitioners. Results from the cumulative research effort are reported in this white paper.

**What is insourcing?**

Insourcing is the “on demand” delivery of human capital to fill a specific talent gap. It is often employed with strategic initiatives of relatively short duration (three months on average), and in scenarios which require highly specific expertise and skills not readily available among company employees. Contrary to the outsourcing model, insourced consultants work on an ongoing basis with full-time employees, either on location or virtually, thereby disseminating their knowledge and expertise among members of the team.



**Working hypothesis:  
Strategic insourcing is  
the future supplemental  
component of the  
learning and development  
workforce model.**

Survey respondents were from organizations of various sizes (see Chart 1), industries, state, local and federal government. Of those surveyed, 43 percent employed insourced resources, while 57 percent did not. Thus, the perceptions presented in this white paper come from a relatively balanced perspective.

According to Chart 2, survey respondents revealed that their current L&D workforce model is mixed, primarily consisting of full-time staff, with some supplemented by insourced staff. Some L&D projects and roles are outsourced to partner organizations. Fewer organizations (12 percent) employ part-time L&D staff. Upon analysis of multiple years of HR survey data, an average of 3 percent of survey respondents outsource/insource their entire L&D function. The research presented here focuses on organizations that do not participate in full business process outsourcing.

L&D practitioners forecast they will need 52 percent more full-time employees and 22 percent more part-time employees in the near future (see Chart 3). About one in three will outsource more project work and/or L&D roles. More than a quarter of the survey respondents stated they plan to increase their insourced capability. Only about one in 10 expect to downsize their L&D function across time. These projections indicate that most learning and development functions will continue to grow and will supplement full-time staff with contingent workers.

Katherine Jones (2011) with Bersin & Associates stated that U.S. companies are increasingly bringing in specific talent aligned to time-based projects, either directly or through a contingent workforce company. Our data on L&D workforce staffing projected out to 2015 support Jones' position and the viability of insourcing.

**Table 2.** Value of Insourcing

Expertise	Project focus	Resource management	Costs	Knowledge management
Superior knowledge and skill set for projects, delivered on-demand	Focus on task, not internal politics or the need to get ahead	Strong ability to oversee and direct the activities of the resource	Avoidance of overhead cost of a salaried hire	Ability to assimilate intellectual capital into company's knowledge base
Delivery of the most current knowledge and skills	Avoidance of time and cost overruns		Avoidance of the risk of a bad hire	
Often higher-quality workers than a company could afford to hire	Avoidance of the risk of underestimating competition		Alleviation of the costly risk of a layoff	
The right skills for the job at hand				

The key elements of a human resources planning model include making predictions about the number of employees a company needs, analyzing if the supply of current employees meets the demand and learning to balance the supply and demand of employees (Lorette, 2011). Workforce plans facilitate change management and contribute to improved talent management, which allows for smarter business decisions and better long-term investments. Thus, a learning and development function that puts effort into workforce planning by budgeting and aligning workforce needs to the L&D strategy rather than making it an afterthought will enhance its core business.

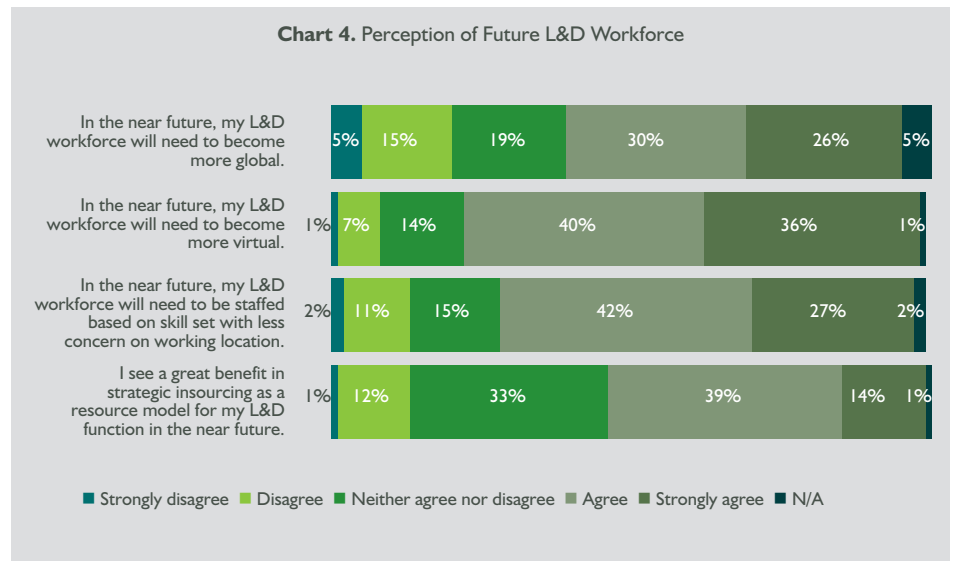
When planning for the future workforce, it can prove prudent and fiscally responsible to bring in insourced resources that have the targeted skill set and convert them to full-time employees if needed. This trial approach allows an organization to establish the employee fit with the organization/culture prior to investing in and on-boarding a full-time employee who may not be a fit and results in high turnover expense. Thomas Davenport, Jeanne Harris and Jeremy Shapiro (2010) reported in a recent Harvard Business Review article that human capital investment analysis helps an organization understand which actions have the greatest impact on business performance. They emphasize that workforce forecasts analyze turnover, succession planning and business opportunity data to identify potential shortages or excesses of key capabilities long before they happen. These forms of talent analytics drive business intelligence and yield smarter decision-making capability. The many benefits of insourcing are outlined in Table 2.

**59%**  
 agree that insourced resources represent a proven talent pool from which permanent positions could be filled if needed (i.e. a trial period prior to hiring).

**54%**  
 agree that insourced L&D resources represent “on-demand” human capital.

**40%**  
 believe the insourcing resource model fits better with the incoming millennial workforce.

**78%**  
of those who  
insource L&D  
resources are  
satisfied with  
their decision  
and partner.



More than half of the survey respondents (54 percent) agreed that human capital can be acquired on-demand through insourcing. In the modern learning organization, strategic initiatives and direction change rapidly; thus, a sound workforce plan that includes on-demand insourced resources can prove to have a positive impact on the bottom line. This “on-demand” work style is often also a preference for the millennial workforce, who want to work on current and relevant assignments.

Survey respondents’ perceptions and projections of the future learning and development workforce are presented in Chart 4. As seen there, the L&D workforce will primarily work virtually (76 percent agreement) and be hired based on needed skill sets (69 percent agreement) rather than being located near a central office.

Organizations are reporting that they will need more global (56 percent agreement) L&D staff to support strategic initiatives. Additionally, 53 percent of the survey respondents and all of the focus group participants indicated that insourcing will need to become a critical variable in their L&D workforce model to ensure ultimate flexibility.

In *The 2020 Workplace*, Jeanne Meister and Karie Willyerd suggested that as the knowledge economy rises, more companies will attempt to cut costs by streamlining and outsourcing where possible because knowledge-intensive work requires an increasingly complex set of skills. This outsourcing/insourcing trend for knowledge workers is expected to increase and will have to match the millennial segment of the workforce. Meister and Willyerd go on to state that corporate learning departments will adopt crowd-sourcing techniques. Crowd-sourcing is employing the “wisdom of crowds” whereby a typical project that is assigned to a single individual is assigned to a group of people. Insourced L&D staff can contribute significantly to crowd-sourcing because of their depth of expertise. When an insourced resource is paired with others from an internal team there are multiple opportunities to share expertise internally and cross-functionally.

In summary, research has established that there is a positive correlation between business intelligence and the level of analytic evaluation that businesses conduct (Davenport and Harris, 2007). That is, intelligent businesses have a well-thought-out and data-based workforce plan that supports a sound strategy. Overall, a competitive advantage can be gained by forecasting and optimizing the learning and development function that is responsible for educating, engaging and empowering a corporate workforce, partners, suppliers and leaders. This research initiative has illustrated that strategic insourcing has a place in today’s L&D workforce planning and can be a competitive advantage. ■

**“Detailed forecasts of what skills will be needed several years out, under different business scenarios, are critical for companies today.”**

— Harris, Craig and Light  
(Accenture)

## About Clarity

Clarity Consultants is the leading provider of consultants for corporate learning and development.

For more than twenty years we have served the needs of corporate learning via our nationwide consulting network. Our consultants are employed on a project basis, supplementing the talents of internal resources. Consulting expertise is provided on demand, tailored to your specific needs, industry and culture. This strategic insourcing approach allows for a maximization of training resources and corporate ROI.

The expertise of our consultants covers the full spectrum of L&D initiatives, including instructional design, training facilitation, LMS and learning technology consulting, project management, organizational development, and other types of specialized L&D consulting.

Learn more about how we can optimally serve your learning and development resource needs – contact us at [www.clarityconsultants.com](http://www.clarityconsultants.com) or 800.330.6558.

## HCM Advisory Group

Human Capital Media Advisory Group is the research division of Chief Learning Officer magazine. Our mission is to provide insightful and actionable human capital research that is relevant and important to senior leaders. If you have any questions, contact us at [advisorygroup@humancapitalmedia.com](mailto:advisorygroup@humancapitalmedia.com).

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