



Headcount Management: Fact-Based Resourcing for Business Agility

Applied Value Insights

July 2020

Headcount Management for the COVID-19 Era

COVID-19 has ushered in a new wave of downsizing for companies around the world. Faced with an urgent need to reduce costs, organizations without the tools to cut strategically are being forced to choose between sweeping reductions that jeopardize strategic priorities or sacrificing whole teams and departments. In this environment, headcount management, the systematic process of ensuring companies have the right number of and type of talent to actualize their goals, is more important than ever before.

Whether an organization has already scaled-back or is waiting to make organizational changes, headcount management provides companies with the agility to react to continued uncertainty, capitalize on the availability of new talent, and proactively plan for potential changes in business conditions.

Benefits of Headcount Management

Headcount management's premise is simple: fact-based reasoning should drive headcount decisions that support overall business objectives. Regardless of size or maturity, many organizations struggle to understand and predict how many resources they truly need to add a new product, accommodate a new budget, or launch a new business unit. Similarly, in the face of change. Headcount management provides centralized and tailored analytical tools to eliminate emotional, ad-hoc headcount choices and enable clear and purposeful decision-making.

Whether a business is looking to scale strategically or downsize prudently, organizations that predict and manage their resource needs impartially can plan organizational changes that support long-term goals. When done correctly, headcount management's benefits are far-reaching and include:

- Agile responses to uncertain or changing priorities or market conditions
- Focused organization purpose and focus
- Trustworthy and consistent decision-making cultures
- Efficient resource utilization and org planning to avert overgrowth, make cuts, and tailor growth



Resource Efficiency

Optimize resources based on practical business needs and real-world inputs



Cultural Growth

Foster organizational trust and accountability with transparent resourcing decisions



Agile Decision-Making

Adapt to changing market conditions with clarity and fact-based guidance



Creating World-Class Headcount Management

Principles for Strategic Headcount Decisions

There are different ways to model and manage headcount needs, but truly strategic headcount management is grounded in core principles that inform the tools and processes that guide their resourcing decisions. Effective headcount models should be:

- › **Measurable.** Headcount models should be grounded in quantifiable measures of work.
- › **Activity based.** Work inputs should measure and reflect real, objective resource activity.
- › **Dynamic.** Organizations and ambitions change. Superior headcount models should be designed to change as businesses do while still providing accurate insights.
- › **Operational.** Headcount modeling must translate into actionable headcount management. Thoughtful governance processes transform insights into structured, impartial practices.
- › **Centralized.** Models should be centralized for accessible and low-impact updates and objective decision-making.
- › **Simple.** Models should identify minimum, essential workload drivers. A simple but correct model is better than an overly-complex model that's precise but wrong.

Approaches to Headcount Management

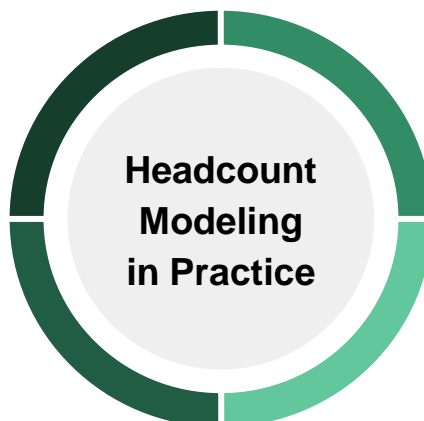
While headcount management's premises are simple, building accurate models and effective governance systems requires diligent and attentive work. From identifying work contributors to validating models, effective approaches to headcount management must undertake the following:

Create

- › Review roles to identify role purpose & responsibilities, measurable inputs that capture true work and drivers of work
- › Develop historically accurate resource/work ratios to inform headcount projections

Verify

- › Benchmark resource/work ratios using best-available trend-based data
- › Test and verify models for accuracy and durability



Construct

- › Design implementation architecture to ensure models can be utilized with minimum-effort
- › Prioritize real-world knowledge and relevance, allowing room for human corrections and deviations

Implement

- › Maintain centralized and accessible models for easy updating to account for changed ambitions
- › Deploy for quick-build up or cut-down needs



Applied Value's Headcount Expertise

Independent Perspectives for Objective Decisions

Effective resource management requires an emotional and unbiased view of an organization's operating state, needs, and structures. Applied Value offers organizations an objective and strategically oriented birds-eye view of their teams' roles and purposes while keeping results practical. By working closely with team members while remaining impartial, Applied Value can develop honest models and practices while leveraging unique access to third-party benchmarks to validate and improve headcount management.

Applied Value's Headcount Experience

Unlike theoretical strategists, Applied Value approaches headcount management with a depth of experience, concentration, and a lean growth perspective that enables consultants to quickly separate core drivers of business value from noise. AV operationalizes past headcount experience while tailoring models, guiding implementation, and ensuring processes are fit to organizations' unique needs. Historically, AV projects have helped businesses achieve up to 20% resource reductions while still driving responsible, nimble growth.

For more information, please do not hesitate to reach out to:

Ben Schofield
Senior Consultant
978-846-4219
New York



Magnus Oppenheimer
Senior Manager
978-494-2756
San Diego



David Lindsay
Manager
978-243-7873
New York



Applied Value Group is a premier boutique management consulting, investment, and social impact firm with a global presence. We focus heavily on ROI and tangible bottom-line results for our clients. We service both global conglomerates as well as small and medium-size companies on improving their cost and capital productivity from our offices in New York, Stockholm, and Shanghai.

