



TenStep Supplemental Paper

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Precursor - An Approach to Forecasting

Workforce forecasting is a critical component of workforce planning. There are various approaches to forecasting, including the precursor approach. This approach is based on the presumption that all aspects of business are interrelated and repeat in consistent patterns.

The approach at work

The precursor approach works best in situations like:

- **Lag firms.** A small company can follow the footsteps of bigger companies in the same industry.
- **Geographic limitations.** A particular region that is lagging behind can follow business patterns of regions that are leading.
- **Slow recovery products.** Industries whose products are the last to recover in an economic upturn can benefit from this approach.
- **No-initiative management.** The management team of a company is against venturing into anything new and plans to wait for others in the industry to make the first move.
- **External dependence.** It is also relevant for industries requiring a long lead or approval time from external agencies like the government.

Identifying precursors

Generally, industry experts and veterans have a consistent view of precursors. Hence, organizations should zero-in on these predictable precursors for an accurate workforce forecast. Some typical precursors include enhanced capital equipment purchase, increased sales, increases in pay, high advertising budgets and flexible training budget.

The next stage in the precursor approach involves a graphical representation of business growth indicating the major upturns and downturns in the business cycle. All key indicators or precursory warnings are indicated on the graph. Since all these indicators are a function of time, a visual representation helps identify a pattern amidst these connected events.

On approval of the chief planner, the identified precursors can be used for forecasting the economic upturn or downturn and the corresponding workforce requirements.

Effective workforce planning prevents an organization from over-hiring, which means avoiding large unnecessary expenditures.