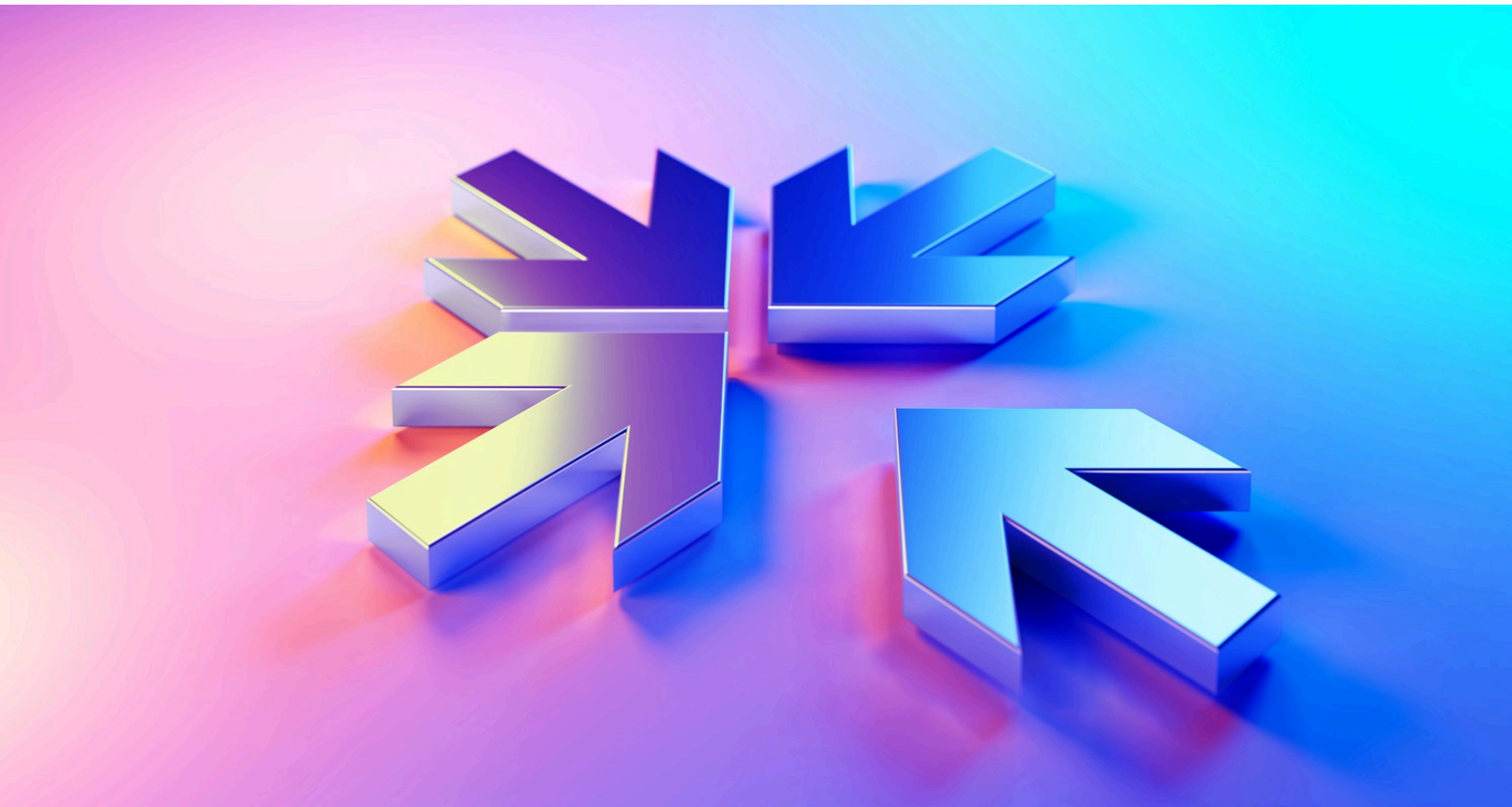


People & Organizational Performance Practice

# The critical role of strategic workforce planning in the age of AI

Gen AI has increased uncertainty about workforce skills and capabilities. Organizations that harness AI-driven innovation find it makes strategic thinking and talent planning easier.

*This article is a collaborative effort by Neel Gandhi, Sandra Durth, and Vincent Bérubé, with Kritvi Kedia and Randy Lim, representing views from McKinsey's People and Organizational Performance Practice.*



**Forward-thinking organizations** understand that talent management is a critical component of business success. S&P 500 companies that excel at maximizing their return on talent generate an astonishing 300 percent more revenue per employee compared with the median firm, [McKinsey research shows](#).

In many cases, these top performers are using strategic workforce planning (SWP) to stay ahead in the talent race, treating talent with the same rigor as managing their financial capital. Under this analytical approach, organizations don't wait for events or the market to dictate a response. Instead, they take a three-to-five-year view, using SWP to anticipate multiple situations so that they have the right number of people with the right skills at the right time to achieve their strategic objectives.

SWP offers greater fluidity of resources and increases efficiencies by allowing organizations to understand their future capacity and capability gaps. It provides data-backed insights into potential upskilling and reskilling opportunities for existing talent beyond sourcing and recruitment. And it links human resources, operations, and financial priorities with broader organizational capabilities to focus on dynamic, systemwide resource allocation.

SWP is not a novel concept. What is new is how it can help companies address the rapid pace of technological change affecting workers across the globe—particularly with the emergence of generative AI. [Gen AI is changing the way people work](#) and the nature of their jobs, creating profound implications for employment (Exhibit 1).

The future of work will include shifts in demand for occupations, skills upgrades, automation increases, and productivity challenges, further emphasizing the need to manage talent proactively. Indeed, McKinsey research shows that up to 30 percent of current worked hours [may potentially be replaced through automation by 2030](#). In this article, we discuss five best practices used by companies that have faced these shifts head-on by building a holistic talent plan through SWP.

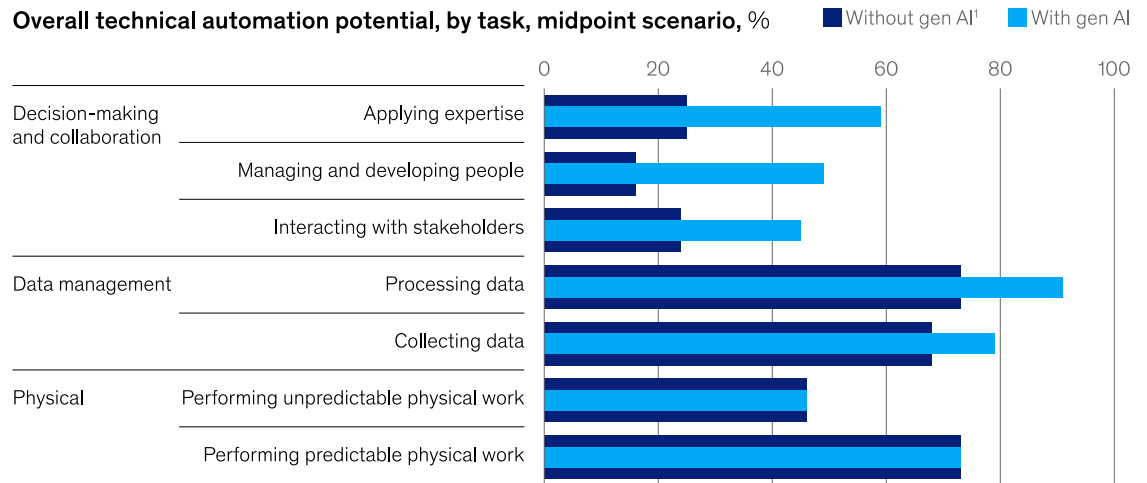
## **Dynamic market conditions need dynamic workforce allocation**

While some companies have successfully deployed strategic workforce planning in the past to reshape their workforces to meet future market requirements, there are also cautionary tales of organizations that have struggled with the transition to new technologies. For instance, the rapid innovation of smartphones left leading players such as Nokia behind.

Periods of rapid technological change highlight the importance of predicting and responding to challenges with a dynamic talent planning model. Gen AI is not just another technological advancement affecting specific tasks; it represents [a rewiring of how organizations operate and generate value](#). This transformation goes beyond automation, innovation, and productivity improvements to fundamentally alter the ratio of humans to technology in organizations.

Exhibit 1

## Gen AI may have a big impact on tasks that previously had low potential for automation.



<sup>1</sup>Previous assessment of work automation before the rise of gen AI.  
Source: McKinsey Global Institute analysis

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By having SWP in place, organizations can react more quickly and intentionally to these changes, monitoring leading and lagging indicators to stay ahead of the curve. This approach allows for identifying and developing new capabilities, ensuring that the workforce is prepared for the evolving demands these changes will bring.

SWP gives a fact base to all talent decisions so that trade-offs can be explicitly discussed and strategic decisions can be made holistically—and with enterprise value top of mind. Moreover, SWP enables a more rapid redeployment of resources, ensuring that talent is allocated where it is most needed in real time. This agility helps organizations move away from traditional “hire–fire” cycles toward more sustainable through-cycle capacity management. By embedding SWP into business as usual, companies can better anticipate workforce needs, respond to changing demands, and ensure long-term agility and resilience.

Five practices help companies prepare for the disruptions that gen AI and other technological changes bring.

### **Prioritize talent investments as much as financial investments**

Successful organizations recognize that their workforce is a strategic asset and investing in talent development and retention is [essential for long-term health](#). Employees represent both an organization's largest investment and its deepest source of value.

In one example of this approach, a large Asian manufacturer reviewed talent scenarios alongside financial ones when deciding whether to expand its plant footprint. While developing its project pipeline, the company assessed the capacity and capabilities of its existing workforce as well as its hiring outlook.

Ultimately, the manufacturer decided to limit its expansion to two plants, despite having the financial resources for a third. This decision followed a thorough review of talent capital and investment phasing to ensure the right capacity and capabilities to deliver on its investments. It also focused on recruiting and hiring recent graduates to build up its talent pipeline and to ensure that talent shortfalls would not limit future investments and growth.

Organizations can also use industry taxonomies to compare their workforces with those of their competitors. Researching existing critical talent pools in the relevant industry or sector, as well as comparisons with best-in-class peers, can help leaders set talent priorities that reflect market realities.

### **Consider both capacity and capabilities**

Once organizations prioritize talent as an important metric for business success, they can identify the specific skills and competencies required for critical roles that drive higher performance and create more value.

To measure performance in critical roles, organizations can conduct an outside-in search to understand the skills in the highest demand. Having a talent baseline helps with planning capability and head count forecasts.

This focus on building capabilities played out in a Middle Eastern city whose leaders wanted it to become a tech-driven, knowledge-based economy. However, leaders were concerned that the city's workforce couldn't support these growth ambitions over the next decade and that it lacked the ability to identify critical roles, capabilities, and scenarios to reach this goal.

To address these gaps, the government developed a human capital outlook based on current economic and global tech trends, as well as the necessary social context to support a future-focused workforce. Part of that outlook involved creating an analytical tool to understand talent supply, demand, and inflows and outflows. As a result, the government was able to use a single

source to predict future capacity and capabilities and to quickly identify shortfalls, particularly when it came to emerging skills.

In another example, an Asian oil and gas company wanted to scale up its operations in unconventional drilling methods (used when oil is more difficult to extract compared with conventional methods), a new capability. It prioritized the talent pools that it saw as delivering value, though they were scarce in the global market.

An SWP exercise helped the company expand its focus to roughly 50 roles from ten critical roles. It identified areas where capabilities and roles were shifting and focused on both reskilling existing upstream conventional talent and acquiring the right external talent to fill capacity and capability gaps.

The company upskilled more than 40 human resources experts to help employees and created a dashboard to enable strategic conversations between HR and business leaders across the enterprise. Ultimately, the company found that four of the ten critical roles it had identified shared similar capabilities between unconventional and conventional operations. It elected to fill most of the capability gaps in unconventional operations with upskilled conventional talent.

#### **Plan for multiple business scenarios**

Supply and demand forecasting is critical to identifying future capacity requirements. By implementing a scenario-based approach, organizations create flexibility for rapidly changing industry conditions.

Approaches to forecasting can vary from simple top-down calculations that use historical data to more complex bottom-up approaches that rely on detailed financial forecasts, KPIs, and benchmarking data. Supply and demand projections can be used to identify potential future talent gaps and overages across business units.

The Asian oil and gas company mentioned above also wanted to map out and review its corporate-function talent needs based on several operating-model scenarios. An analysis revealed that a centralized model would be more feasible in the short term, while a regionalized model would require additional strategic capabilities in the function. That, in turn, would require additional time to upskill its existing talent base.

The company also examined how gen-AI-enabled productivity would spur different demand scenarios within its HR function and how the function might change, including through consolidation, upskilling, automation, process improvement, and outsourcing. That analysis encouraged conversations about the pace of change the company would be able to absorb and the talent needed in the short term to adopt the technology before considering any shifts in the size of its workforce.

In an example of how strategic workforce planning can help companies plan for further gen-AI-related effects, a North American software company wanted to understand the implications of gen AI on its workforce and free up resources to build gen AI products. Its leaders wanted to take stock of organizational readiness and identify the business case for specific internal gen AI tools.

To do so, it forecast supply and demand across tech, product, and operations roles by incorporating expected gen AI impact, including by developing the top gen AI use cases in those three areas. It also identified projects that could be stopped or frozen to help reallocate resources to critical gen AI products.

Finally, it modeled multiple scenarios for gen AI adoption by taking the pace and scale of adoption into consideration to create a data-based analysis for staffing up the workforce for future gen-AI-backed products. This SWP approach was a productive way to merge business and talent strategy with longer-term goals.

### **Take an innovative approach to filling talent gaps**

HR and business leaders routinely look to external talent to fill open roles, sometimes viewing these hires as a magic solution to skills gaps. But today's rapidly changing technological landscape means that filling workforce shortfalls through external recruitment at the role level is often not enough.

Leaders should instead weigh the time and cost implications of internal versus external hires. Paths include internal redeployments where complementary skills are available, reskilling or upskilling existing talent, acquisitions, and outsourcing.

The ability to choose strategically relies on a strong understanding of several variables, including talent pools, which can range from global to extremely local. Leaders should understand where talent resides—in which country, in which types of companies, and in which universities and PhD programs. They can also analyze the relative difficulty and cost of having employees shift roles compared with sourcing talent externally.

Hiring is cost intensive, since it takes time to onboard and ramp up an employee into a new role. While reskilling and upskilling also take time and resources, leaders can use these levers strategically, track their relative success, and shift gears as needed (Exhibit 2).

The goal should be to build an SWP capability that brings in the right talent to fill the right roles while investing in learning and development for current staff. Organizations that can identify the capabilities they need for the future are able to build tailored, [skill-based learning journeys](#). In addition, finding ways to reskill and upskill existing employees to take on new roles can reduce recruiting costs. Talent that is currently in roles that are becoming obsolete may have skill adjacencies that make them suitable for an emerging role or skill.

Exhibit 2

## Global shifts are contributing to the challenge of effective talent management.

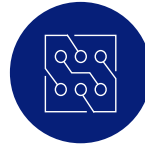
### Global talent trends



**Competition for talent**  
among businesses to attract  
and retain skilled and  
talented employees

**85 million**

*amount of jobs  
shortage by 2030*



**Technological shifts  
and automation**  
creating new roles while  
displacing others

**80%**

*share of the workforce that  
could have at least 10% of their  
tasks affected by gen AI*



**New ways of learning**  
providing more personalized,  
accessible, and on-demand  
learning experiences

**\$31 billion**

*value of the gamification  
learning market by 2025*

Source: Korn Ferry; Mordor Intelligence; McKinsey Global Institute analysis

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A global telecommunications company wanted to defend its leadership position in the industry and build a state-of-the-art 5G network within three to five years. As part of this transition, it identified the 12 top competencies it would need to support the 5G business and mapped those to ten critical roles it saw as reflecting the capabilities and capacity needed over the next several years.

After analyzing market availability, leaders realized that there was a shortage of talent for critical roles because of competition from telecom and tech companies searching for the same profiles. As a result, the company shifted its talent strategy from recruiting to developing and upskilling tech talent within the organization. It was able to forecast future talent supply and demand and create an action plan to close the gaps.

A “future of work” hub was created to ensure in-house talent availability by coordinating upskilling efforts. As its transformation effort got underway, human resources, strategy, and finance leaders used advanced analytics to prioritize policies related to hiring, outsourcing, location strategy, upskilling, and retention.

A large media organization took a novel approach toward hiring job applicants. Those who didn't make it through the hiring process for a job offer were asked for permission to retain their profiles in a talent database. Using gen AI and advanced applicant tracking systems, the company matched these applicants with new job opportunities as they became available.

This innovation helped reduce the time required to fill roles and enhanced the company's agility in responding to workforce demands. By creating a more efficient and responsive hiring process, applicants had a better experience, which helped the company's efforts to attract talent over the longer term.

### **Embed SWP into business as usual**

As the first four practices show, strategic workforce planning should become a business-as-usual process, not just a one-off exercise in the face of a single threat to an organization's talent pipeline or business goals.

Many organizations have evolved SWP to be at the nexus of operations, finance, and HR, reflecting its growing importance across functions. Some are opting to place SWP under finance, emphasizing its role in aligning talent strategies with broader business objectives. Workforce planning teams can hold their business partners accountable by directly linking goals to metrics and performance reviews. By embedding SWP into core business operations, companies can better anticipate workforce needs, respond to changing demands, and ensure long-term agility and resilience.

A strong change management plan is crucial to institutionalizing this process, especially if SWP is being introduced for the first time. This plan should be underpinned by initiatives that show why and how SWP is so important to a successful talent approach. Initiatives can include role modeling success stories, capability building, and reinforcement mechanisms. A core team can be created that includes not only HR personnel but also business leaders who can help make SWP a way of life throughout the enterprise.

For instance, a European integrated power utility was implementing SWP for the first time. After a series of operating-model transformations, leaders realized there was no clear link between the company's strategic priorities and its talent strategy. They wanted to understand critical roles and capabilities, as well as the impact of automation on the workforce, and create the tools and methodology to spread SWP across the organization.

The utility created a model to forecast the supply of future roles (based on attrition, hiring, and targets) and the demand for future roles (based on business growth, strategic changes, and productivity effects). It developed a template of initiatives to close talent gaps, refined the baseline of roles and capabilities, and created future role taxonomy for job modeling.



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These steps allowed the utility to better forecast the capabilities needed to achieve its business operations and stay ahead of its competitors in the talent market. After rolling out the SWP model across five business units, the company realized that its flexible nature allowed it to be scaled across more areas of the company.

SWP also allows organizations to move toward having one source of data and insights on people interventions. Equipped with a comprehensive view of talent data, organizations can make informed decisions about whether to invest in external hires or focus on reskilling and upskilling existing employees. This strategic capability ensures that talent interventions are aligned with business goals, optimizing resource allocation and enhancing overall organizational performance.

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Even the most capable leaders can't know exactly what the future business environment will look like. Organizations that embed strategic workforce planning into their daily business and strategy can secure a competitive talent advantage now and in the future.

**Neel Gandhi** is a partner in McKinsey's New York office, where **Randy Lim** is a senior asset leader; **Sandra Durth** is a partner in the Cologne office; **Vincent Bérubé** is a senior partner in the Montreal office; and **Kritvi Kedia** is an expert associate partner in the Singapore office.

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