



Human Resource Management



PART TWO

Human Resource Planning



Defining HRP

- It is the process of systematically reviewing human resource requirements to ensure that the required number of employees with the required skills are available when and where they are needed (Mondy, Noe & Premeaux, 2002).
- The **process** by which managers ensure that they have the right number and kinds of people in the right places, and at the right times, who are capable of effectively and efficiently performing assigned tasks.



Defining HRP (Cont'd...)

- According to Armstrong (2006), HRP is concerned with forecasting the future needs of the organization in terms of:
 - skills, expertise and competences,
 - analyzing the availability and supply of people,
 - drawing up plans to match supply to demand and
 - monitoring the implementation of the human resource plan.

Defining HRP (Cont'd...)

- According to **Geisler**, “Manpower planning is the process – including forecasting, developing and controlling by which a firm ensures that it has-
 - The right number of people,
 - The right kind of people,
 - At the right places,
 - At the right time, doing work for which they are economically most useful”



Defining HRP (Cont'd...)

- According to Quinnmills & associates, HRP is a decision making process that combines three important activities, viz.,
 - 1. Identifying and acquiring the right number of people with the proper skills;**
 - 2. Motivating them to achieve high performance; and**
 - 3. Creating interactive links between business objectives and resource planning activities.**



Importance of HRP

1. *Uncertainty Reduction*

- HRP offsets uncertainty by predetermining future human resource requirements.
 - It matches demand and supply forecasts to determine future shortages and surpluses of human resources in terms of quantity and quality.
 - Action plans are developed to deal with the problems arising from shortages and surpluses.

2. *Objectives achievement*

- HRP focuses on the achievement of organizational goals.

Demand forecasts for HR are based on the objectives, strategies and revenue plans of the organization.

● ● ● Importance of HRP (Cont'd...)

3. *Environmental Adaptation*

- HRP assesses current human resources through human resource inventory and job analysis.
- Existing human resources can be quickly adapted to changing technology, markets, competition as well as political, legal, economic, social and cultural forces.

4. *Effective and Efficient Utilization of Human Resources*

- HRP ensures that the organization acquires and retains the quality and quantity of human resources it requires.
- Existing human resources can be properly placed and deployed to ensure their effective utilization.
 - Human resource costs can be controlled to achieve efficiency through planning.
- HRP ensures the right number and type of human resources at the right time doing the right job.

● ● ● Importance of HRP (Cont'd...)

5. Human Resource Development

- Human resource planning anticipates skill requirements for various levels of human resources.
- This provides adequate lead-time for planning of training and development programs.
- Training and development experiences often lead to greater employee satisfaction, lower turnover and lower absenteeism.

6. Control

- HRP sets standards for control purposes.
 - It serves as a standard for controlling the quantity and quality of employees actually deployed.
- This facilitates control of human resource costs as well.



In short, if HRP is used properly,
it offers the following benefits:

- Creates reservoir of talent;
- Prepares people for future;
- Expand or contract;
- Cut cost; and
- Facilitates succession planning.

Uses of Human Resource Planning

- Improve the utilization of human resources
- Match human resource related activities and future organization objectives efficiently
- Achieve economies in hiring new workers
- Expand the human resource management information base to assist other human resource activities and other organizational units
- Make major demands on local labour markets successfully
- Co-ordinate different human resource management programs such as employment equity plans and hiring needs



Linking HRP with Corporate/Business Planning

- ❑ **Strategic planning** is a process of defining an organization's strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people (http://en.wikipedia.org/wiki/Strategic_planning).
- ❑ All organizations need to establish a strategic framework for significant success.
- ❑ This framework consists of:
 - a vision for your future,
 - a mission that defines what you are doing,
 - values that shape your actions,
 - strategies that zero in on your key success approaches, and
 - goals and action plans to guide your daily, weekly, monthly and annual actions.
- ❑ The result of creating a strategic plan is a unified sense of purpose for the organization.

Components of Strategic Planning Process

I. Where are we now?

- External Analysis
- Internal Analysis

II. Where do we want to be?

- Mission
- Vision
- Core Values/Principles
- Identifying critical/strategic issues
- Goals
- Objectives

III. How do we get there?

- Action plan
- Resource allocation (strategy)



The HRP Process

- HRP process is influenced by the overall orgnl objectives & the environment of business.
 - Thus, strategic planning must precede HRP.
- HRP translates the organization's objectives & plans into the number of workers needed to meet objectives.
- HRP has two components: **requirements & availability**.
- Forecasting HR requirements involves determining the number & type of employees needed, by skill level & location.
- These projects will reflect various factors, such as service/production plans & changes in productivity.
- In order to forecast availability, the HR manager looks to both internal sources (present employees) & external sources (the labor mrkt).

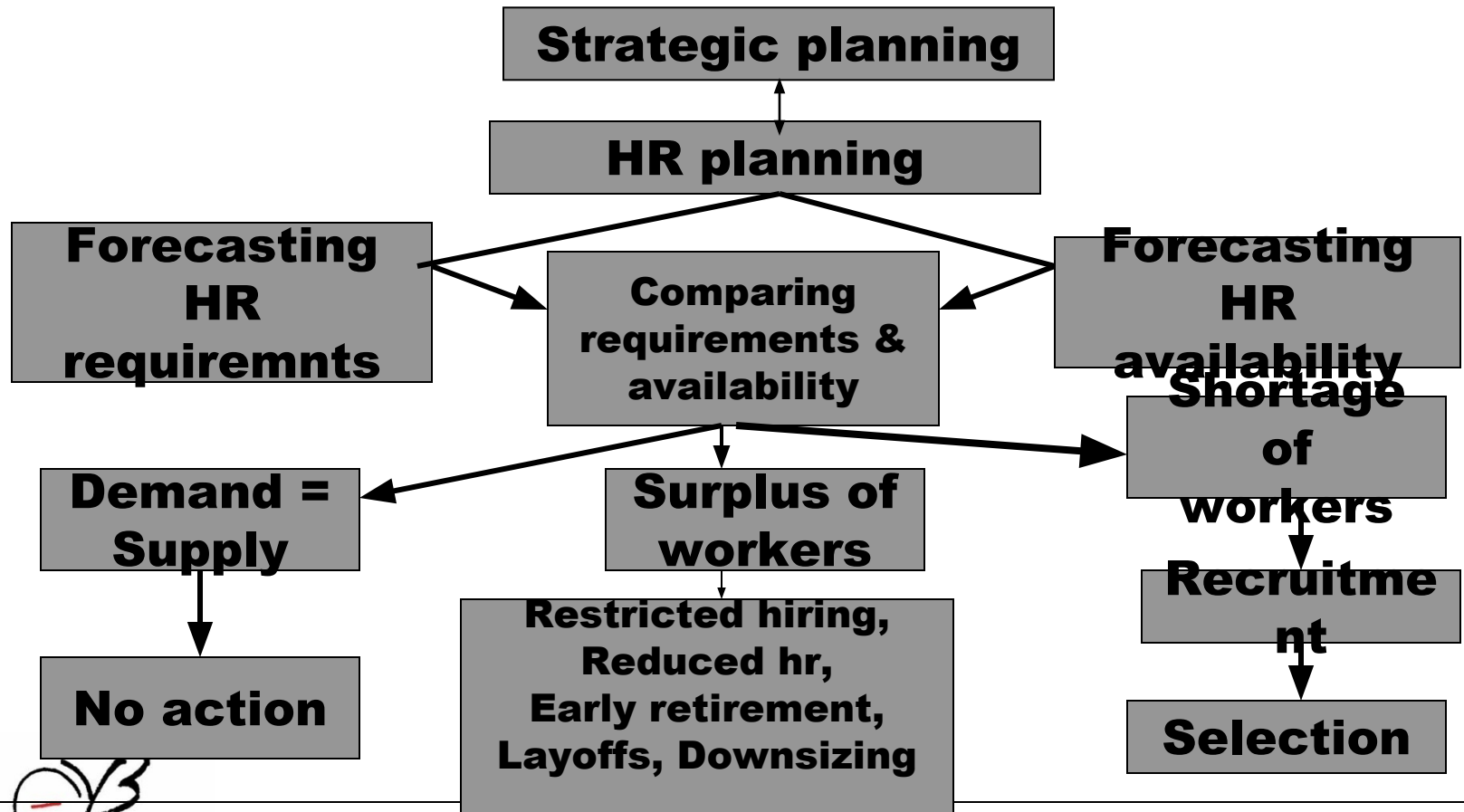
● ● ● The HRP Process (Cont'd...)

- When employee requirements & availability have been analyzed, the firm can determine whether it will have a **surplus** or **shortage** of employees.
- Ways must be found to reduce the no. of employees if a surplus is projected.
 - **Some of these methods/programs include: restricted hiring, reduced hours, early retirements, & layoffs.**
- If a worker shortage is forecast, the firm must obtain the proper quantity & quality of workers from outside the organization.
 - In this case, external recruitment & selection are required.

The HRP Process

External Environment

Internal Environment



● ● ● Forecasting Labor Supply

□ Internal Forecasting:

- Replacement Charts
- Skills Inventories

□ External Forecasting:

- State Employment Agencies
- Government Reports
- College/University Information





□ Important issues considered in forecasting Human Resource needs?



How to Forecast Personnel Needs

- Project revenues / production first, and then estimate the size of the staff required to achieve it
- Staffing plans also must reflect:
 - Projected turnover
 - Quality and skills of your employees
 - Strategic decisions
 - Technological and other changes
 - Financial resources



Demand Forecasting

- Statistical approaches
- Judgmental methods
- Other methods



Methods to Predict Employment Needs

Statistical approaches

- ❑ **Trend analysis:** studying variations in your firm's employment levels over the last few years to predict future needs.
- ❑ **Ratio analysis:** making forecasts based on the ratio between (1) some causal factor (like sales volume) and (2) the number of employees required (for instance, number of salespeople).
- ❑ **Regression analysis/Scatter plot:** shows graphically how two variables, such as a measure of business activity and your firm's staffing levels, are related. If they are, then if you can forecast the level of business activity, you should also be able to estimate your personnel requirements.

Judgmental methods

- ❑ **Qualitative analysis-** Managerial judgment plays a big role

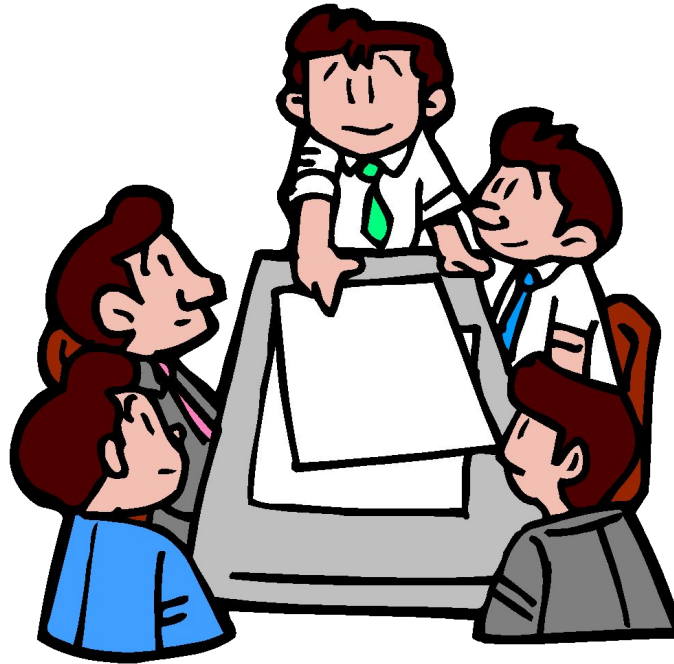


When Are Statistical Approaches to Demand Forecasting Appropriate?

- Stable environment
- Business factor can be predicted with some accuracy
- The relationship between workforce size and business factor remains constant over time

Judgmental Methods of Demand Forecasting

- Group brainstorming
- Sales force estimates





Forecasting the Supply of Inside Candidates

- Personnel inventory & development record help track employee qualifications
- Qualifications inventories
Manual or computerized records listing employees' education, career and development interests, languages, special skills, and so on, to be used in selecting inside candidates for promotion



Forecasting the Supply of Inside Candidates...

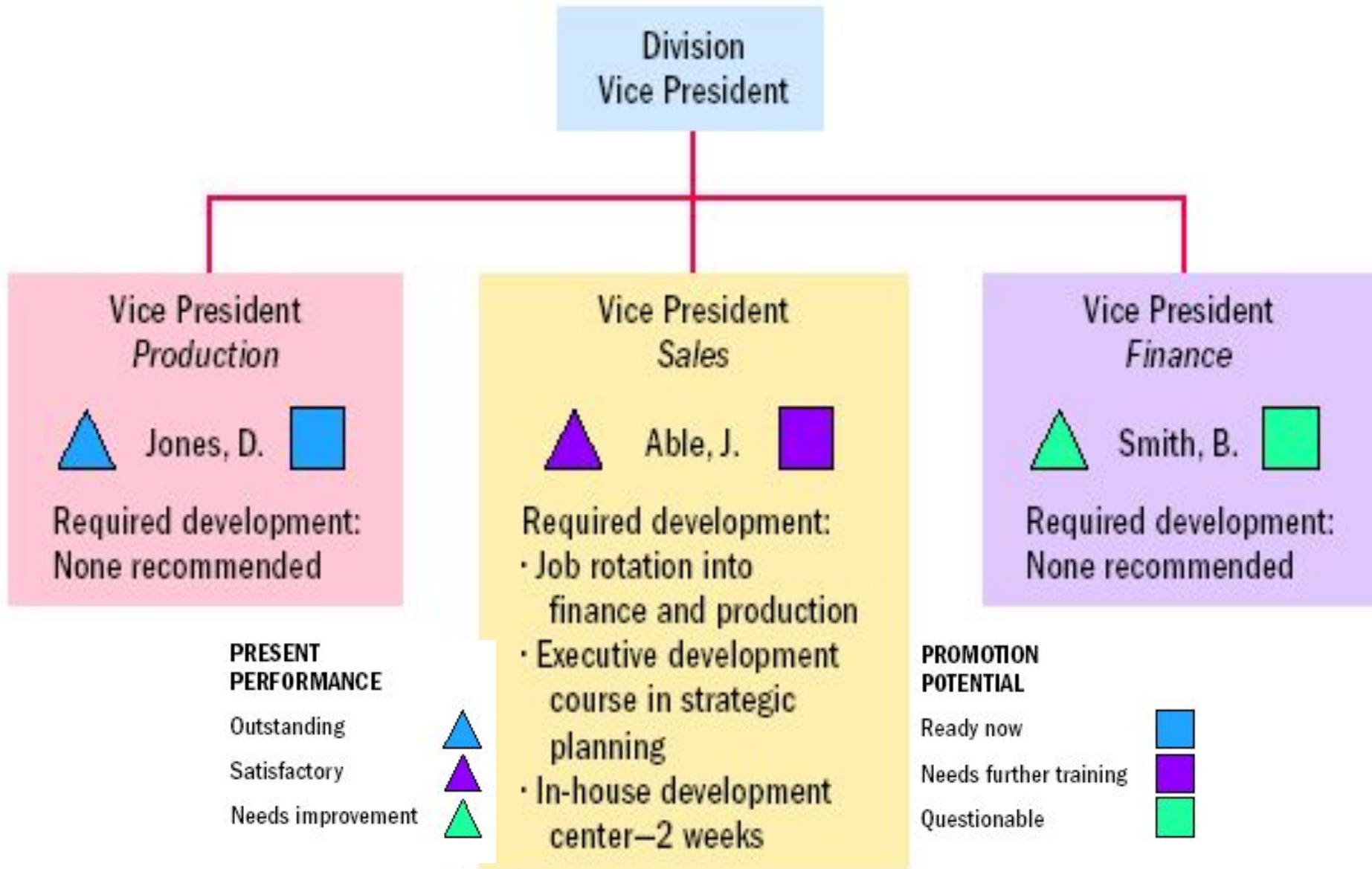
- Personnel replacement charts

Company records showing present performance and promotability of inside candidates for the most important positions

- Position replacement card

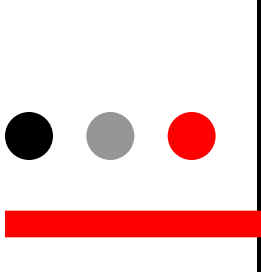
A card prepared for each position in a company to show possible replacement candidates and their qualifications

Management Replacement Chart



Dealing with an Oversupply of Personnel

- ❑ Freeze hiring
- ❑ Restrict overtime
- ❑ Retrain/redeploy
- ❑ Switch to part-time employees
- ❑ Use unpaid vacations
- ❑ Use a shorter workweek
- ❑ Use pay reductions
- ❑ Use sabbaticals
- ❑ Encourage early retirements



Dealing with an Undersupply of Personnel

- Hire additional workers
 - Improve productivity through training
 - Use overtime
 - Add additional shifts
- Reassign jobs
 - Use temporary workers
 - Improve retention



Barriers to HRP

- Planners face significant barriers while formulating an HRP. The major ones are:
 - 1) HR practitioners are perceived as experts in handling personnel matters, but are not experts in managing business.
 - 2) People question the importance of making HR practices future oriented and the role assigned to HR practitioners in formulation of organizational strategies. There are people who when needed offer handsome packages of benefits to them to quit when you find them in surplus. When the task is so simple, where is the need for elaborate time consuming planning for human resources.

● ● ● | **Barriers to HRP (Cont'd...)**

- 3) HR information often is incompatible with other information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting, often to the exclusion of other types of information. Financial forecasting takes precedence over HRP.

● ● ● | **Barriers to HRP (Cont'd...)**

- 4) Conflict may exist between short term and long term HR needs. For example, there arises a conflict between the pressure to get the work done on time and long term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. Therefore, long time plans are not required, short planning are only needed.

● ● ● | **Barriers to HRP (Cont'd...)**

- 5) There is conflict between quantitative and qualitative approaches to HRP. Some people view HRP as a number game designed to track the flow of people across the department.
- 6) Non-involvement of operating managers renders HRP ineffective. HRP is not strictly an HR department function. Successful planning needs a coordinated effort on the part of operating managers and HR Personnel.



Any Questions

