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Human Resource Planning

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Human Resource Planning





- Concept, HRP process, Strategic planning and HR planning, Need of human resource planning, Human resource information system, Techniques of forecasting HR demand and supply, Strategic directions in human resource planning, HRP practices in Nepalese organizations.

Concept



- Human resource planning is the process of forecasting, development, and controlling human resource in an organization.
- According to Stone, “Human resource planning is the process by which an organization attempts to ensure that it has the **right number of qualified people in the right jobs at the right time.**”
- According to Scott, "Human resource planning is the process for ensuring that the human resource **requirements of an organization are identified and plans** are made for satisfying those requirements.”

Characteristics of Human Resource Planning(HRP)



- a. Goal Directed (**Achieving employees goals as well as overall organizational goal**)
- b. Future-oriented (Forecasting future work force)
- c. Quantitative and qualitative(**Estimating right number** of employees needed **with right skills and competencies** at right time)
- d. System Oriented (Determining future human resources **shortages and surpluses**)
- e. Time Horizon (HRP can be short i.e one year or long term i.e. five year or more)

Importance of Human Resource Planning



a. Uncertainty Reduction

Globalization, New technology, Org. restructuring, and workforce diversity produce uncertainties.

Matching demand and supply by determining future shortage and surpluses of human resources.

b. Objective Focused

HR plans are linked to overall corporate plan. This facilitates better coordination for objective achievement.

c. Environmental Adaptation

HR requirements are identified through Job analysis. Evaluate competencies of current human resources and updated regularly so as to adjust changing environmental forces.



d. Acquisition of Human Resources

Facilitates recruitment and selection of employees. Also supports succession planning.

e. Utilization of Human Resources

Right man is made responsible for right job to ensure their productive utilization. Increase efficiency.

f. Control of Human Resources

HR planning sets standard according to which quality and quantity of employees are controlled.

HR Planning Process



Environmental
Analysis

Determining HR
objectives and Policies

Human Resource
Forecast

Action Plan

Control and
Evaluation



A. Environmental Analysis

It refers to the systematic monitoring of the external forces influencing the organization. The following forces are essential for HRP.

- ☐ Economic factors, including general and regional conditions.
- ☐ Technological changes
- ☐ Demographic changes including age, composition and literacy,
- ☐ Political and legislative issues, including laws and administrative rulings
- ☐ Social changes

By scanning the environment for changes that will affect an organization, managers can anticipate their impact and make adjustments early.



B. Determining HR objectives and policies

- HR plan is usually derived from the organizational objectives. Specific requirements in terms of number and characteristics of employees should be derived from organizational objectives
- Once the organizational objectives are specified, communicated and understood by all concerned, the HR department must specify its objective and policy with regard to HR utilization in the organization.



C. Human Resource Forecast

Once current human resources are analyzed and HR objectives and policies are determined, the next step is to demand and supply forecast.

It is to **determine future requirement of number of employees, skill required and the internal and external supply.**



D. Action Plan

It is known as manpower planning implementation.

HR implementation requires converting an HR plan into action.

A series of action are initiated as a part of HR plan implementation such as recruitment, selection and placement, socialization, training and development etc.



E. Control and Evaluation

Monitoring and evaluation to ensure that HR planning matches the HR objective and policies. HR manager develop certain **HR indicators in order to know the progress of HR management.**

Evaluation is also done with respect to employment cost against the budget and wastage accrued so that corrective action can be taken in future.

(continuous process, timely feedback)

Human Resource Strategy



- Strategy sets the overall objectives for a company. It also **sets the parameters** for the needed employees' contribution or how people add value within a company.
- A company's strategy is its plan for achieving a **competitive advantage over its rivals**. It is long term direction and scope of an organization.
- Human resource strategy is the broad action plan that determines direction and **scope of human resource function**. Different strategies require different employee contributions to create competitive advantage. There are two broad types of strategies that any organization can choose.

A. Low cost strategy and managing employees



- A cost leadership strategy focuses on outperforming competing firms within an industry by maintaining the ability to offer **the lowest costs** for product or services.
- Given their focus on efficiencies and cost reduction, companies with a cost leadership strategy tend to design jobs in a way that maximizes predictable employee outcomes.
- It focuses on ensuring acceptable job performance by hiring individuals with the basic skills needed for these jobs, **training employees to efficiently carry out their responsibilities.**
- HR pays employees according to the job performance. It evaluates employees based on adherence to established job expectation.

B. Differentiation strategy and managing employees



- A differentiation strategy emphasizes achieving competitive advantage over competing firms by providing something **unique** for which customers are willing to pay.
- ❖ A differentiation strategy requires employees to perform jobs geared towards particular objective, such **as creativity or customer service**.
 - ❖ Employees need to possess specific skills related to the source of differentiation and need to **engage in behaviors that help set the company apart from its competitors**.

Approaches to Human Resource Planning



- HR planning is the process of analyzing and identifying the need for and availability of human resources so that the organization can meet its objectives. The approaches to human resource planning are;

Top down approach (Quantitative approach)

- It is **hard approach** to HRP as it considers quantitative aspect of HR planning. It is handled by management. It is traditional in nature. The main objective is to identify human resource shortages and surpluses and manage them. This approach considers:
 - ❖ **HR information system and HR inventory.**
 - ❖ **Demand forecasting technique by the use of statistical and mathematical technique.**
 - ❖ **Work study technique**



Bottom up approach (Qualitative approach)

- It is **soft approach** to HRP as it considers qualitative aspect of HR planning. It is employee driven. It is traditional in nature. The main objective is to match organizational needs with employees need. There is the provision of employee training and development. This approach considers;
 - ❖ **Employees' safety and welfare.**
 - ❖ **Motivational techniques to increase productivity.**
 - ❖ **Employee training and development.**
 - ❖ **Work flexibility**
 - ❖ **Career planning and development of employees**
 - ❖ **Compensation and incentive schemes**
 - ❖ **Organizational justice**
 - ❖ **Special right to focus groups such as minority, women, disadvantaged persons.**



Mixed approach

- It is participative approach to HRP as it combines both quantitative and qualitative approach of human resource planning. Top managers and human resource managers jointly participate on the formulation of human resource planning. This approach considers:
 - ❖ **Corporate objectives and strategies of organization are the basis of formulation of human resource planning.**
 - ❖ **Human resource manager provide suggestion, guidance and information to the top level manager.**
 - ❖ **Both quantitative and qualitative approach of human resource planning are considered.**
 - ❖ **Both line manager and HR managers' involvement in formulation of HR planning contribute high productivity for the organization.**

Relationship between HRP and Strategic Planning



Strategic plan is the corporate level plan which defines overall mission of the organization. HR need is also defined by the strategic plan of organization. The relationship between human resource planning and strategic planning can be shown as follows:

- **Follower Relationship:** HR plan is not distinct subject matter from corporate strategic plan. It is **based on the overall objective and strategies of the organization**. If the organization has a plan for growth then organization need to hire additional employees.

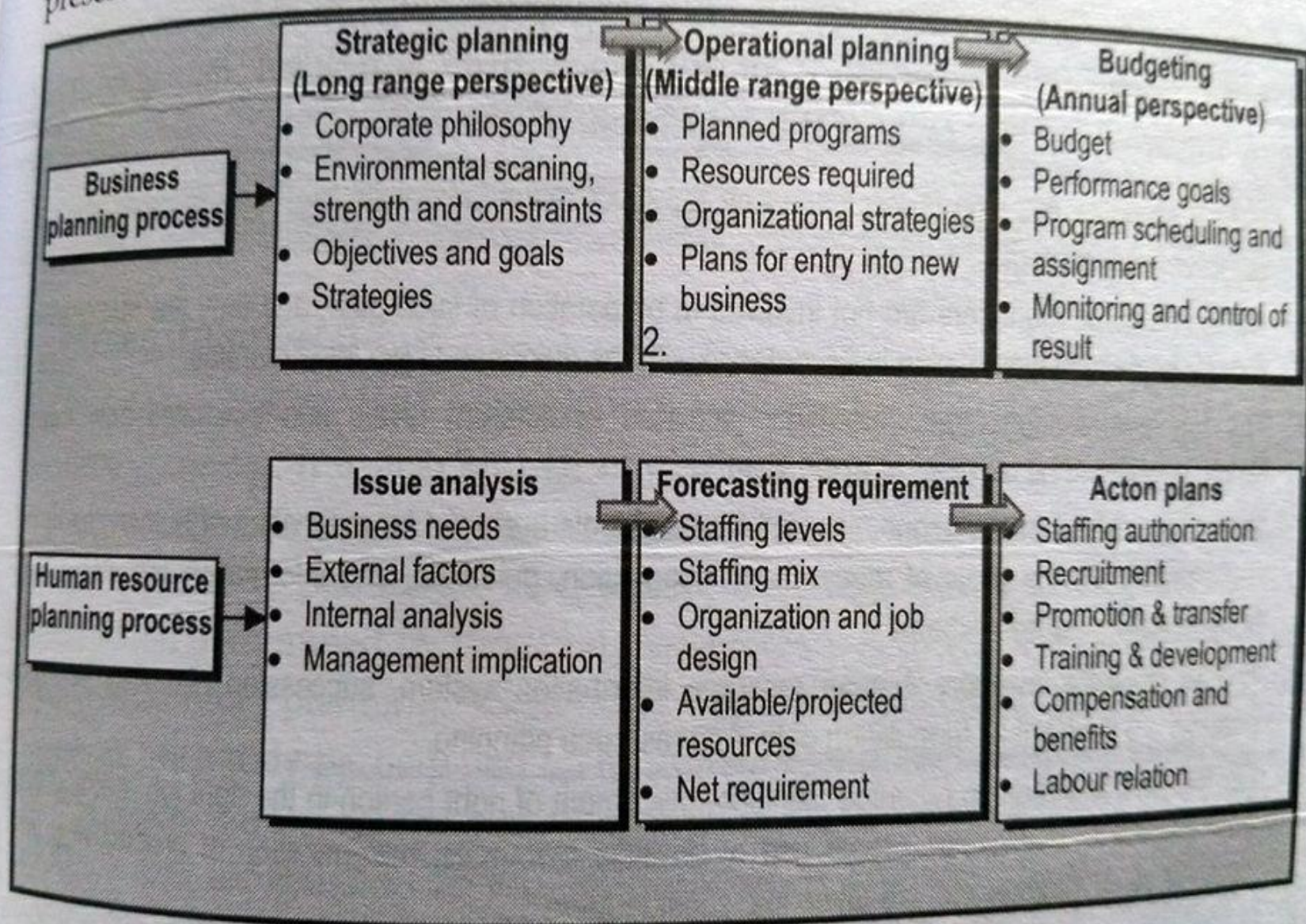
On the other hand, if the organization is going for mergers and acquisition, then organization need to plan for layoffs, as mergers can create, duplicate or overlap positions that can be handled more efficiently with fewer employees.

- **Partner Relationship:** HR plan is crucial while developing corporate strategic plan. Implication of human resources is considered in the formulation of the corporate plan. **It ensures that HRM issues are properly valued while formulating corporate plan.**

Modern business organizations pay more attention on this issue to ensure effective utilization of human resources. This helps to match between organizational objectives and HRM objectives.

- The impact of business (strategic) planning on human resource planning is presented as below (Cascio, 1992)

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Assessing Current Human Resources (Major HRP Activities)



- Following analysis are necessary to assess current human resources.

A. Human Resource Inventory

B. Human Resource Information
System(HRIS)

C. Succession Planning

A. Human Resource Inventory (Skill Inventory)



- It consists of up-to-date information about the qualification and experiences of selected categories or all of the employees. Information includes; personal data, educational qualification, training, history of employment, results of performance appraisal and career goal. It is based on HRIS.
- This information facilitates the assessment of the current skilled workforce which is useful at the time of promotion, management, succession, planning, reporting etc.

Benefits of Human Resource Inventory



- ❖ Support management to evaluate what skills are currently available in the organization.
- ❖ Useful for planning the selection, training, promotion and transfer of employees.
- ❖ Can be used as a decision making tool for effective utilization of existing human resources.
- ❖ Provides information regarding skill deficiency of employees.
- ❖ Supports coordination and control regarding human resources.

Management Inventory



- It consists of information about managerial human resources currently employed in the organization. It includes: Personal data, skills data, position data, compensation data, performance data.
- **Benefits**
 - Facilitates succession planning
 - Helps to assess managerial skill required to cover future activity.
 - Helps to identify management development needed to update managers.
 - Provides information about managers turnover that helps to develop strategy to retain quality managers.

B. Human Resource Information System(HRIS)



- HRIS refers to the system of gathering, classifying, and effective management of human resources information in an organization.
- HRIS serves as a systematic databank where information on all employees and their job is stored; it can be updated and retrieved as and when needed.
- HRIS is established and used with the help of computer based information technology.

Uses of HR information system



- HR inventory development- HRIS serves as the database for developing human resource inventory. This inventory provides data about the skills of human resources working in the organization.
- HR forecast- HRIS is useful for forecasting future human resource demand and supply.
- HR development- HRIS data can be used for identifying employees for training, development, promotion and transfer. It is useful for succession planning.
- Job analysis- HRIS helps to gain understanding of what task necessitate, and the type of individuals who should be hired to perform that task.

C. Succession Planning



- Widely known as succession planning or management succession, it ensures that the organization has individuals ready to move into positions of higher responsibility.
- This is special type of planning used to forecast potential managers for future promotion in the higher management level.
- Expert committee select pool of candidates and provide special training and development assignment. Potential and highly deserving candidates will be promoted to the higher managerial post.

Benefits of Succession planning



- Continuity- HR crisis is avoided. Encourage hiring from within the organization.
- Career planning- Employees career need is addressed.
- Development- Managerial shortage and skill deficiencies are predetermined. Plans are prepared to develop managers internally to accept greater responsibilities.
- Talent management- Qualified people are systematically placed in the right job. It facilitates career planning and development of an individual employee.

Demand Forecasting



- ❖ Demand forecasting is the process of estimating the future quantity and quality of people required to meet the future needs of the organization.
- ❖ Demand forecasting is influenced by both internal factors and external factors: **external factors** include-competition, economic climate, laws and regulatory bodies, changes in technology and social factors whereas **internal factors** are budget constraints, production level, new products and services, organizational structure and employee separations.

Benefits of demand forecast



- Quantify the jobs, necessary for producing a given number of goods.
- To determine the nature of staff mix required in the future.
- To assess appropriate levels in different parts of organization so as to avoid unnecessary costs to the organization.
- To prevent shortages of personnel where and when, they are needed by the organization.
- To monitor compliances with legal requirements with regard to reservation of jobs.

Supply forecasting



- Supply forecast determines whether the HR department will be able to procure the required number of workers.
- Supply forecast measures the number of people likely to be available from within and outside an organization.

Benefits of supply forecast



- Helps to quantify the number of people and positions expected to be available in future to help the organization realize its plans and meet its objectives
- Helps to clarify the staff mixes that will arise in future
- It assesses existing staffing in different parts of the organization.
- It will enable the organization to prevent shortage of people where and when they are most needed.
- It also helps to monitor future compliance with legal requirements of job reservations.

Techniques of HR demand forecasting



Fig. 2.5 Techniques of HR Demand Forecasting

Techniques of HR Demand Forecasting

Managerial Judgement

Ratio trend analysis

Work study techniques

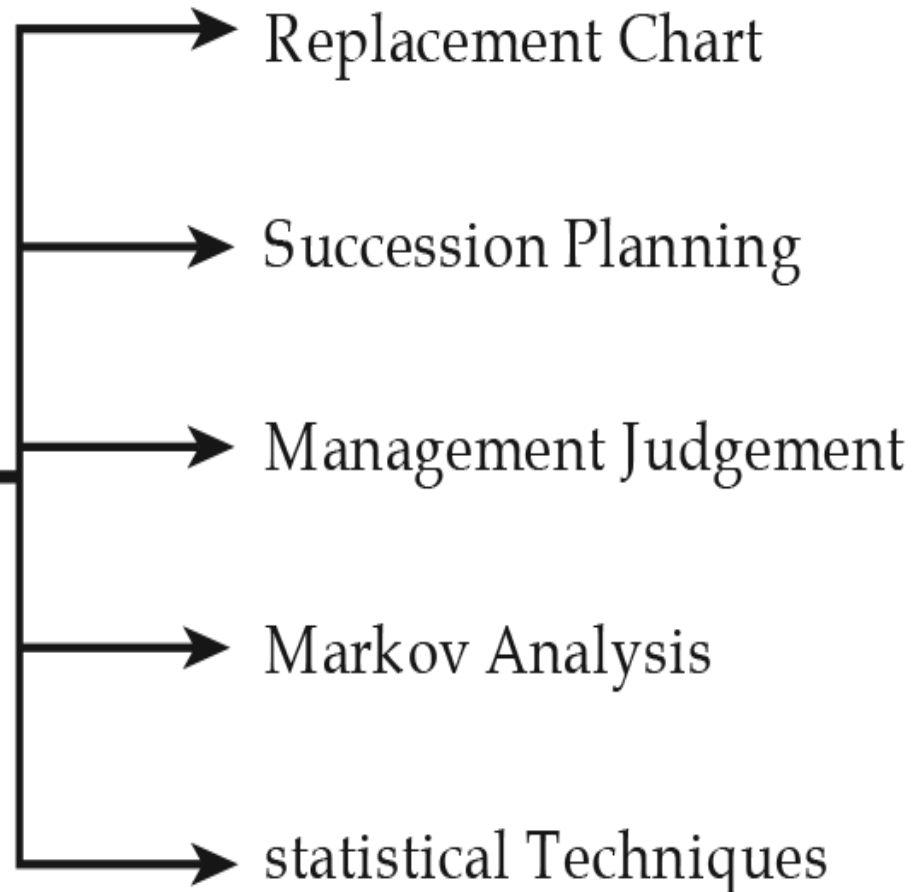
Forecasting skill

Delphi technique

Techniques of HR Supply forecasting

Fig. 2.6 Techniques of HR Supply Forecasting

Techniques of HR Supply Forecasting



Managing Human Resource Surplus



- HR surplus refers overstaffing that means having more number of employees than required. Following methods can be applied for managing HR surplus.
 1. Expansion of current activities
 2. Creation of new activities
 3. Early retirement
 4. Termination
 5. Outplacement (assisting recently terminated employees for searching employment opportunities)

Talent management



Talent refers to special ability that can make a difference to organizational performance. Talent management is essential part of manager for acquiring competitive advantages and to develop highest level of potential. Talent can be managed by:

- Assigning new challenging jobs to those employees who can demonstrate innovation or talent.
- Increasing the scope of current jobs that allow use of talent.
- Rewarding employees who use talent to improve performance in terms of goal achievement.
- Promoting talent management environment throughout the organization.
- Preparing succession planning on the basis of individual's talent.

Strategic direction in human resource planning



- HR planning is the process of systematic review of HR requirement in the organization.
- As an integrated part of strategic mgmt, it is also understood as strategic manpower planning of the organization.
- Strategic direction of HR planning is to focus for achieving vision, mission, objectives and strategies of the organization.



- Vision: big picture or roadmap of an organization achieving in long run.
- Mission: explains the reasons of the existence of the organization. Brief description about the fundamental purpose of the organization.
- Objectives: It involves goals that an organization expects to achieve within specified time.
- Strategies: It involves comprehensive master plan stating how the organization will achieve its mission and objectives.

HRP practices in Nepalese Organizations



- **Human Resource Planning:** Most of the organization lacks human resource planning. Even if it is made, it is least concerned with developing human competencies and potential for growth of employees.
- **Focus:** In Nepal, HRM is not considered important subject matter. Its focus is on achieving organizational goals without much regard to personal goals of employees. People are not considered as a source of competitive advantage and important assets.
- **Attitude of top management:** The attitudes of top management are not favorable towards HRM. Human resources are viewed as a cost rather than assets by management. Multiplicity of unions, union challenges, politicalization of unions and negative attitude of management towards labor unions pose problem in human resource management. There is lack of mutual trust between labor and management.
- **Short Term Horizon:** HRM is short range oriented generally one year horizon. Strategic human resource planning is lacking. There is no relationship between strategic and human resource planning.



- **Strategic Role:** HRM has not assumed a strategic role in Nepalese management. It lacks clear cut vision, mission and goals. HR aspects are not considered in policy and plan formulation. Line managers do not feel ownership for HRM. HRM is only considered as a means to deal with labor grievance and indiscipline.
- **Legal framework:** Law, rules and regulations are not up-to date. It does not fulfill current need. All the stakeholders are not addressed in the legal framework. It has remained weak and largely welfare oriented to employees.
- **Human resource development:** Human resource development has remained an area of low priority. It is least concerned with future potential development of employees. This has retarded professionalism in HRM. Performance based HRM practices are lacking.
- **Demand and Supply forecast:** Nepalese business organization lack proper demand and supply forecast. Right number and skills of people are not forecasted. Similarly, Nepalese organization lack proper supply forecast of human resources inside and outside sources. There is no proper plan for promotion and transfer of employees.

Assignment



1. How do the HR planning responsibilities of HR specialists differ from those of managers?
2. Assume you have to develop an HR plan for a local bank. What specific external factors would be important for you to consider? Why?

OR,

Assume that as a result of HR planning, a hospital identifies a shortage of physical therapists but a surplus of administrative workers. Discuss what actions might be taken to address these problems and why they must be approached carefully.