Human Resource Planning : Then And Now

* Chandrasekhar Sita Rama Mallela

INTRODUCTION TO HRP

Human Resources Planning (HRP) determines the human resources required by the organization to achieve its strategic goals (Armstrong, 2006). The process of HRP consists of business strategic plans, resource strategy, scenario planning, demand and supply forecasting, labor turnover analysis, work environment analysis and operational effectiveness analysis. The hard HRP is based on quantitative analysis in order to ensure that the right number of right sort of people are available when needed. The soft HRP is concerned with ensuring the availability of people with the right type of attitude and motivation who are committed to the organization, engaged in their work and behave accordingly. With the complex and frequently changing nature of manpower, the business and the external environment; the hard HRP's reliance on quantified staffing plans is questionable. Thus, the soft version has become virtually synonymous with the whole subject of HR management. Realizing that soft HRP has brought about major changes in the HRP practices as witnessed by the author during his practicing years as a manager between 2010 and 2012, the present paper dwells on the differences between the older practices and the current practices of a HR Manager in the chief constituents of human resource planning.

BUSINESS STRATEGIC PLAN

Any organization periodically makes a business strategic plan detailing the strategy or direction the organization would like to pursue in order to achieve the intended revenues by utilizing the business system in a decisive way. According to De Witt and Meyer (2004), a business system is the configuration of resources (inputs), activities (throughput) and product/service offerings (output) intended to create value for customers (Figure 1). Building a distinctive business system to fend off competition would mean that a firm should remain true to its fundamental strengths built over a very long period of time. On the other hand, environmental consonance requires a firm to continually adapt its business system to the demands and new opportunities in the market place. This paradox results in two mutually opposing perspectives – the outside-in and the inside-out perspectives (De Witt and Meyer, 2004). The outside-in perspective opines that the market opportunities should lead the organization, which implies that the organization should adapt itself to the market position envisioned. The inside-out perspective believes that

Figure 1: A Business System

Source: Components of a Business System (De Witt and Meyer, 2004: p. 232)
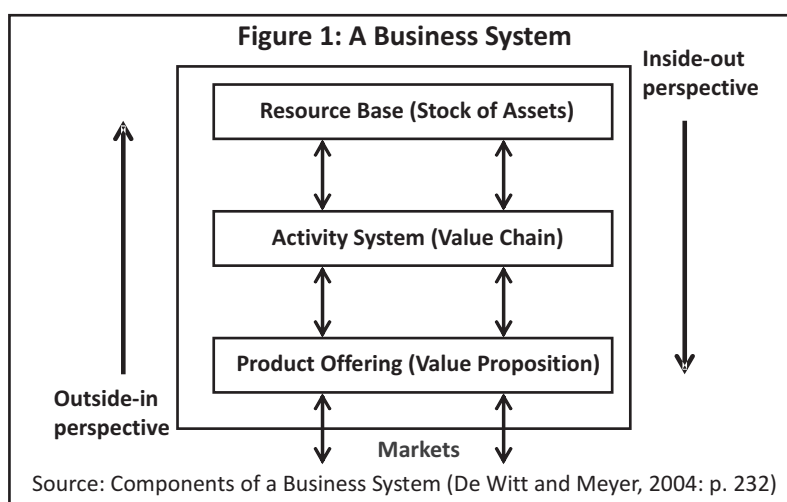
* Faculty (HR & Strategy), D.V.R. PG Institute of Management Studies, Kashipur Village, Sangareddy Mandal, Medak District - 502285, Andhra Pradesh. E-mail: mallelac@rediffmail.com

competition eventually revolves around rival resource bases, and that firms must focus their strategies on the development of unique resources and activity systems.

It is the gaining recognition for this inside-out perspective that is brining a new paradigm in Human Resources Management (HRM). Till 1990s, HRM was more viewed as an instrument to achieve a predetermined strategy in terms of employing the human resources at an optimal cost. However, with the advent of Information Technology, organizations have realized the importance of resourceful employees. Mehta (2011) discussed in detail the accounting mechanism adopted by Infosys for its human capital, implying the significance imparted by one of the most successful IT organizations in the world to its human resources. It is no more a secret that the intellectual capital of an organization, which in simple language can be termed as collective thinking of all the employees in the organization, is the most critical component of the competitive advantage for the organization. Thus, HRM has undergone a metamorphosis from being an instrument to achieve the strategy to being an integral part of the strategic planning, which focuses on bringing out the best from the human resources in a holistic fashion.

RESOURCE STRATEGY

Resource strategy takes necessary steps to become an employer of choice, and thus plans to achieve a competitive advantage by employing more capable people than the rival companies. The HR Manager earlier used to focus on skilled people, mostly in the local market, or used to recruit en masse and train them to achieve the organization's objectives. This used to work fine, as most of the jobs until 1990s were more mechanized. However, the advent of IT necessitated the recruitment of employees with specialized skills, coupled no more with mechanized activities but with more fundamental human abilities such as critical reasoning and innovation. Thus, the new-age HR Manager's job became more intricate in terms of finding suitable employees, which made him go around the globe to recruit the most suitable employee for a job opening.

The HR manager earlier used to be concerned with staffing the project after the project was financially committed. However, the new-age HR manager always watches the market of available resources and keeps in touch with the potential recruits in order to make the best hiring decisions to improve the competitive advantage of the company, though he still makes hiring decisions only when the project is financially committed. He understands that resource strategy involves mapping the potentially available job openings to the compatible organizations and more importantly, personalizing the job openings to the human resources with specific requirements. Thus, he tries to avoid a knee-jerk reaction to the staffing needs and adopts a more viable long-term resource strategy, focusing on building the brand for the company as a preferred employer through various media – online business communities, university collaborations, product demonstrations in symposiums and engaging the company's employees for various social causes.

Given the predictability of the job market in earlier days, the cost of recruitment and thus the project cost used to be a certain sum, which was taken into account much earlier in budgeting. However, in the current era of unpredictable job market, due to uncertainties in the global markets and capricious preferences of the work-force, the HR Manager is under tremendous pressure to reduce the cost of recruitment, which can predominantly escalate in two ways – hiring employees through consultants and delays in recruitment. In order to reduce the dependency on consultants, who charge hefty amounts towards finding potential resources, the HR manager has become innovative by using his networking skills effectively. For a fraction of the cost of hiring through consultants, the HR Manager introduced the scheme of referral bonuses for the existing employees to search for a suitable resource. It benefits him primarily in two ways :

(1) Employees find out a resource suitable not only in terms of skills, but also in terms of culture so that the new employee mingles with the existing team seamlessly.

(2) The cost of recruitment comes down as the referral bonus is just a fraction of the recruitment charge from a consultant. He coaches the employees of the organization on building their network of potential recruits and also on passive hiring, wherein the employees inform their immediate circle of friends about the vacancies, requesting the circle to further spread the information. He has also started utilizing the online business communities (LinkedIn: Online, 2012) and online job portals such as TimesJobs and Naukri (Job Portals: Online, 2012) for cost-effective recruitment. He further keeps in touch with the suppliers (service-based companies supplying contractors) who readily supply the skilled human resources. By institutionalizing the above mechanisms in a long term resourcing

strategy that emphasizes on recruiting through a network comprising of the employees of the organization, the Manager's own circle of friends, online business communities, and finally the consultants and contracting companies, the new-age HR manager has effectively reduced both the costs of and the delays in recruitment by finding out the most optimal human resources when the need arises. Thus, the new-age HR Manager does not leave any stone unturned for a constant supply of resources despite the uneven demands.

SCENARIO PLANNING

Scenario planning involves analyzing the impact on human-resource requirements because of future environmental factors arrived at after systematic environmental scanning. Possibly, the most widely used method is PEST (Political, Economic, Social and Technological) analysis. The HR Manager then was less concerned about the scenario planning. However, the current HR Manager engages himself continuously with scenario analysis, given the fast changing environmental factors such as frequency of recession and increased attrition levels. An example for better utilization of the scenario planning is identifying the peer companies that can absorb the laid-off employees from a company. These days, it is quite common that when a startup is wound up or a big company lays off a sizable business unit, the HRM actively engages itself in getting all the laid-off employees employed in the peer companies in the similar market, giving a humane dimension to the scenario planning, and thus enabling collaboration with competitors in times of crisis. Scenario planning is facilitated much better these days with latest tools such as SAP that provide integrated perspective of the HR from an overall business strategy point of view.

DEMAND AND SUPPLY FORECASTING

Demand forecasting estimates the future number of resources required, which results in upsizing or downsizing the headcount. At times, given the market dynamics, we may have to take up new projects or abandon the existing projects. In case of taking up new projects, cost-effective recruitment in bulk to suit the project requirement is a big challenge. Similarly, abandoning existing projects may lead the organization to downsizing, which if not done properly, tarnishes the reputation of the company. For example, the recession in circa 2001 affected the growth plans of all the companies worldwide. A better demand and supply forecasting questioning the sustainability of the bombastic growth plans would have moderated the chaos of considerable magnitude in terms of hiring and immediate firing. Now-a-days, the HR Manager has become bold enough to question the logic behind such huge growth plans, trying to bring practical perspective to such plans in terms of the costs involved in huge hiring, the related facilities and in letting these new hires go, if the plans do not materialize. Managerial judgment, ratio trend analysis, work-study techniques, and forecasting skill and competence requirements are typically used for demand forecasting. Supply forecasting measures the number of people likely to be available from within and outside the organization, taking various factors into consideration. For such demand and supply forecasting, the HR Manager then used to spend a lot of time working through all the methods manually, that was always accompanied by a fear of failure . Forecasting is easier these days with SAP tools. The HR Manager now spends more time analyzing the results.

LABOR TURNOVER ANALYSIS

Labor turnover analysis gives an insight into the attrition rates and the current market analysis. The HR Manager then used to gather data with a lot of effort. However, we find many HR surveys and forums today that help the current HR Manager to understand his organization's attrition rates in relation to the relevant market. The attrition rates also give insights into organizational behavior in pockets. For example, higher attrition from one group relative to other groups certainly implies a problem to be addressed, such as poor management. Similarly, low productivity coupled with lower attrition indicates complacent staff not willing to go the extra yard to achieve the company's objectives. In the latter case, the HR should be effective in communicating the tough message of achieving the company's objectives to the complacent staff. In fact, Sharma et al. (2011) established a link between attrition during the probation period (the period between the date an employee joins the company and the date his employment is confirmed) and good working conditions providing minimum work-life satisfaction. Thus, the current HR Manager's reach in analyzing the market trends and organizational behavior from the perspective of labor turnover is much better.

WORK ENVIRONMENT ANALYSIS

Work environment analysis involves the assessment of the working environment in terms of the scope it provides for the employees to use and improve their skills and thus, achieve job satisfaction. The HR Manager used to bask in the times where a job was treated with a lot of gratitude, and thus the employees would rarely leave the organization. However, today's generation treats a job more as a means of enjoying themselves than just as a means of earning money. Thus, the employees do not hesitate in leaving an organization if they feel they are dragging their feet to the office. Thus, more than ever, retention of key talent is important. Today's HR Manager is definitely burdened with keeping the work environment up with the changing trends adopted by the work-force. One of the best practices the author witnessed was making the employees define their own work environment and facilitate them to realize such an environment. Various committees such as the food-committee, cultural-committee, celebrations-committee, technical-committee, and facilities-committee are formed from the voluntary representatives from the employees in order to foster a creative and productive environment, which the employees are proud to be a part of.

OPERATIONAL EFFECTIVENESS ANALYSIS

Operational effectiveness analyses productivity, the utilization of people and the scope for increasing flexibility to respond to new and changing demands. In simple words, the operational effectiveness analysis helps the HR Manager to find out the ways to bring out the best in the employees from the perspective of the organization's objectives. In the previous era of mechanization, the operational effectiveness was perceived more from the productivity not linked to human factors, but to advanced machines and from training the workforce for increasing its efficiency. However, for today's HR Manager, the human factors such as employee happiness, his emotional attachment with the coworkers and to the job, flexibility in working hours and flexibility in moving to other functions within the organizations are of paramount importance because a happy employee is more creative and is more willing to work for the company's objectives wholeheartedly. Vyas and Shrivastava (2011) found that the employees' whole-hearted participation is beneficial even in the activities related to the company's CSR (Corporate Social Responsibility) in terms of employee satisfaction and better relationships between employees and the company, leading to stronger employee commitments to the company and better positive image for the company. Thus, today's HR analyzes the lack of productivity of an employee from various operational factors such as facilities, a bad manager, lack of employee's whole-hearted engagement in the company's functions, lack of motivation because of the employee's long association with the same job and misfit of the employee's strengths to the job at hand.

ACKNOWLEDGMENT

CONCLUSION

Today's HRP is strongly backed up by the inside-out perspective focusing on the development of unique resources and activity systems. The latest resourcing strategies are effective not only in terms of quick resourcing, but also in terms of cost. The scenario planning extends its reach to humane dimensions enabling collaboration with competitors in times of crisis. The demand and supply forecasting has enabled the current HR to bring a sense of practicality and feasibility to the top management's bombastic growth plans. The latest tools such as SAP have enabled the current HR to focus more on the analysis part of the labor turnover, thus bringing out more clearly the relationship between the market trends, the employees and the politics of the organization. There is a constant effort in upgrading the work-environment to match with the taste of the employees to foster a sense of belonging to the company. The analysis of operational effectiveness is no more a set of predefined parameters, but a set of personalized parameters arising out of situations in which the employee is asked to achieve the company's objectives. Thus, the current HR's multi-faceted analysis brings out new dimensions of investigation in each section of HRP. The current HR manager cannot afford to treat his job function in the human resources planning based on some set principles any more. He has to be more dynamic than ever, watching mercurial markets and constantly changing trends in the human approach towards work-life and has to adapt to the Human Resource Planning accordingly.

REFERENCES

1) Armstrong, M. (2006). *"A Handbook of Human Resource Management Practice."* London, Kogan Page, pp. 363-491.

2) De Witt, B., and Meyer, R. (2004). *"Strategy: Process, Content And Context."* London, Thomson Learning, pp. 231-232, pp. 244-250.

3) Job Portals, TimesJobs and Naukri, http://www.timesjobs.com, http://www.naukri.com   accessed on March 30, 2012.

4) LinkedIn, Online Professional Network, http://www.linkedin.com   accessed on March 30, 2012.

5) Mehta, Pooja (2011). "Valuing Human Resources To Create Value - A Case Study of Infosys Ltd." *Prabandhan: Indian Journal of Management*, Volume 4, Issue 12, pp. 25-33.

6) Sharma, A., Borah, S.B., and Sharma, K.R. (2011). "Do You Love Me? Attrition During Probation Period: Employee Vs. Employer." *Prabandhan: Indian Journal of Management*, Volume 4, Issue 7, pp. 8-13.

7) Vyas, J.H., and Shrivastava, Reshma (2011). "Employee Perception of Corporate Social Responsibility And Job Satisfaction In Large Scale Units." *Prabandhan: Indian Journal of Management*, Volume 4, Issue 12, p.23.