CHAPTER 5

HUMAN RESOURCE PLANNING

EXHIBIT 4-5: A MODEL OF STRATEGIC HUMAN RESOURCE MANAGEMENT

External Environment

- Competition
- Government regulation
- Technology
- Market trends
- Economic

Corporate Strategy

Business Unit Strategy

Internal Environment

- Culture
- Structure
- Politics
- Employee skills
- Past strategy

Employee Separation

Laws Regulating Employment

HR Strategy

- HR planning
- Design of jobs and work systems
  - what workers do
  - what workers need
  - how jobs interface with others

HR Information Systems

Staffing

Training

Performance Management

Compensation

Labor Relations

Human Resource Planning (HRP)

- Is the first component of HRM strategy
- All other functional HR activities are derived from and flow out of the HRP process.
- Has its basis in considerations of future HR requirements in light of present HR capabilities and capacities.
- Is proactive in anticipating and preparing flexible responses to changing HR requirements.
- Has both an internal and external focus.

MacTemps-Building Commitment in the Interim Workforce

Commitment Matters?

To Temp Agency too?

Principles behind new vs. old career Paradigm

New Career Paradigm	Old Career Paradigm
Discrete Exchange	Mutual Loyalty
Occupational Excellence	One-employer Focus
Organizational Empowerment	Top-down Firm
Regional Advantage	Fortress Firm
Project Allegiance	Corporate Allegiance

What is the "Perfect Temp" for MacTemps?

- Skills in demand
- Loyal
- Low in turnover
- Low demand in benefits

Why Loyalty Matters to MacTemps?

- Reduce the cost of recruitment and selection
    - Gross Margin
- Retention of skills that are in high demand
- Enables better matches
- Clients value temp loyalty-when it comes around, it turns around.

Evaluating the Temp Segments

- Students
- Rent Payers
- Job Seekers
- Freelancers
- Career Temps

- Skills, Loyalty, Turnover? Strategies for each?

Building Loyalty

- Deepening Informal Ties
  - Increasing social interaction is inexpensive, but building real relationships takes time and is hard to measure
  - Challenges: Difficult to measure success; need to develop strategy to reduce turnover
  - Audience?

Building Loyalty (cont'd)

- Enhancing the Benefits (frequent flyer program)
  - Already has leading benefits program; may simply incur more costs without increasing loyalty
  - Challenges: Determining what new benefits would be attractive to temps
  - Audience?

Building Loyalty (cont'd)

- Training and Development
  - Temps want it; may increase value of skills, which benefits clients, MacTemps, and temps
  - Challenges: Need to develop curriculum, and a means of establishing eligibility for the training; difficult to determine which skills should be emphasized; must minimize free-rider problems
  - Audience?

Building Loyalty (cont'd)

- Exclusive Short-term Retainers
  - Ensures that certain high skill workers would always be available; eliminates multi-agency relationships; potential incurs large cost if down-time occurs
  - Challenges: Requires a different infrastructure at MacTemps – managing people directly and ensuring utilization
  - "If they are under-utilized for just a fraction of their working time, we incur huge costs"
  - Audience?

Does Commitment Matter?

- Does Commitment matter………….to you?

- *"I think there is, at the heart of this, a basic question about obligation: what are the individual's obligations to a company? What are the company's obligations to individuals? What can we give our employees to build a sustained, mutually beneficial relationship besides the promise of full-time permanent work?"* (Chung, p.13)

Does Commitment Matter? To You?

- Employability Security
  - The knowledge that today's work will enhance the person's value in terms of future opportunities
- Transferable knowledge is more important to a career than firm-specific knowledge.

Five Major Objectives of HRP

EXHIBIT 5-1: KEY OBJECTIVES OF HUMAN RESOURCE PLANNING

- Prevent overstaffing and understaffing
- Ensure the organization has the right employees with the right skills in the right places at the right times
- Ensure the organization is responsive to changes in its environment
- Provide direction and coherence to all HR activities and systems
- Unite the perspectives of line and staff managers

HR Planning Process

Types of Planning

- Aggregate Planning
  - Anticipating the needs for groups of employees in specific, usually lower level jobs and the general skills employees will need to ensure sustained high performance.

- Succession Planning
  - Focuses on ensuring that key individual management positions in the organization remain filled with individuals who provide the best fit for these critical positions.

Aggregate Planning: Forecasting Demand

- ## Forecasting the demand for employees
  - Considers the firm's strategic plan's effects on increases or decreases in the demand for the firm's products or services.
  - Assumptions on which the forecast is predicated should be written down and revisited when conditions change.

    (bottom-up planning) involves "point of contact" estimation of the future demand for employees.

    involves senior managers allocating a fixed payroll budget across the organizational hierarchy.
  - The demand for employee skills requirements must also be considered.

Aggregate Planning: Forecasting Supply

- The level and quantities of abilities, skills and experiences can be determined using a *Skills Inventory*.

- A human resource information system (HRIS), especially computerized databases, updated at least annually, is a dynamic source of HR information.

- Markov analysis can be used to create a transition probability matrix that predicts the mobility of employees within an organization.

Forecasting Methods

Mathematical Methods
- Statistical regression analysis
- Simulation models
- Productivity factors
- Staffing ratios
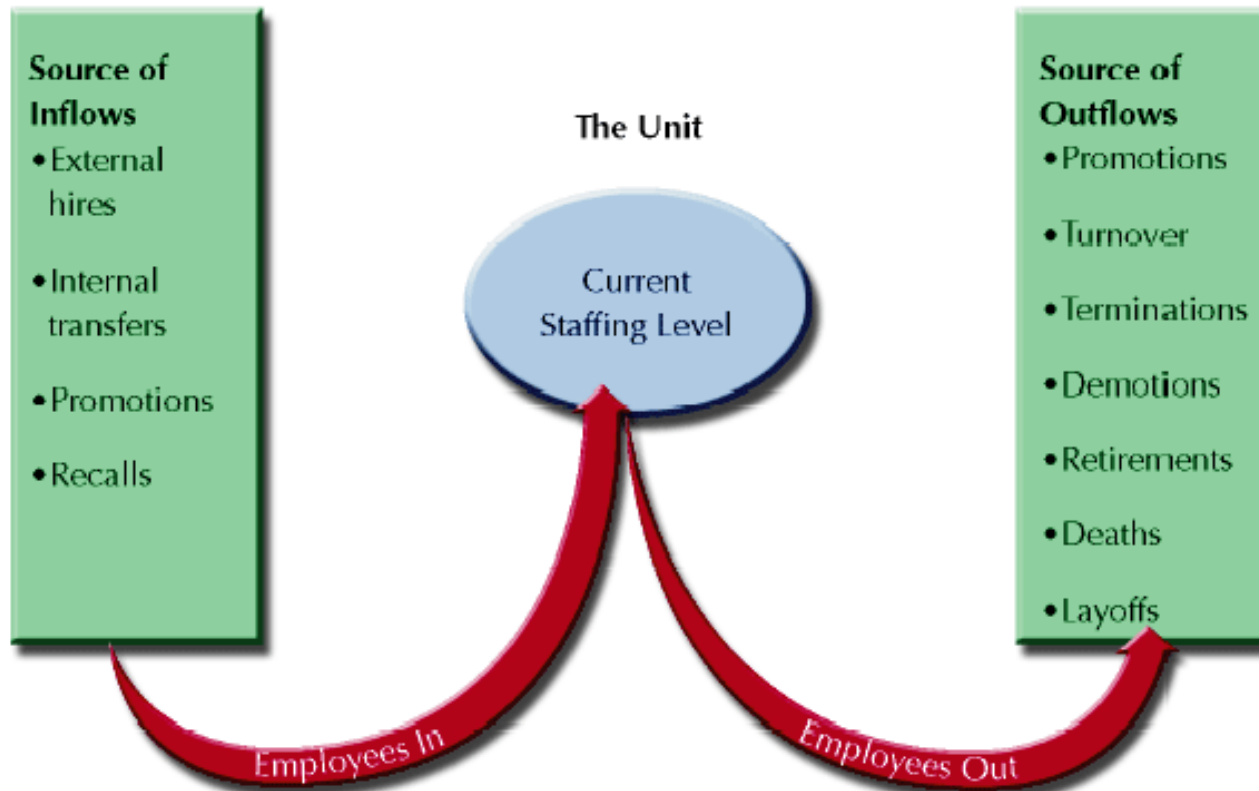
HR Demand and Supply Forecasts

Judgmental Methods
- Estimates
- Rule of thumb
- Delphi technique
- Nominal groups

EXHIBIT 5-2: TRANSITION PROBABILITY MATRIX FOR A RESTAURANT

		One Year From Now			
		Servers	**Hosts**	**Buspersons**	**Exit**
Current Year	Servers	.80	.10	0	.10
	Hosts	.10	.70	0	.20
	Buspersons	.15	.05	.40	.40

Analysis of Matrix

Retention Levels

Servers	80%
Hosts	70%
Buspersons	40%

Forecasted Levels

Incumbents		**Servers**	**Hosts**	**Buspersons**	**Exit**
60	Servers	48	6		6
10	Hosts	1	7		2
20	Buspersons	3	1	8	8
	Totals	52	14	8	16

Estimating Internal Labor Supply for a Given Unit

Current Staffing Level	−	Projected Outflows This Year	+	Projected Inflows This Year	=	Unit's Internal Supply for This Time Next Year

Source of Inflows
- External hires
- Internal transfers
- Promotions
- Recalls

The Unit

Current Staffing Level

Source of Outflows
- Promotions
- Turnover
- Terminations
- Demotions
- Retirements
- Deaths
- Layoffs

Employees In

Employees Out

Balancing HR Supply and Demand

EXHIBIT 5-3: STRATEGIES FOR MANAGING EMPLOYEE SHORTAGES AND SURPLUSES

Strategies for Managing Shortages

- Recruit new permanent employees
- Offer incentives to postpone retirement
- Rehire retirees part-time
- Attempt to reduce turnover
- Work current staff overtime
- Subcontract work out
- Hire temporary employees
- Redesign job processes so that fewer employees are needed

Strategies for Managing Surpluses

- Hiring freezes
- Do not replace those who leave
- Offer early retirement incentives
- Reduce work hours
- Voluntary severance, leaves of absence
- Across-the-board pay cuts
- Layoffs
- Reduce outsourced work
- Employee training
- Switch to variable pay plan
- Expand operations

Adapted from Fisher, Schoenfeldt, and Shaw. *Human Resource Management*, 4d, 1999.
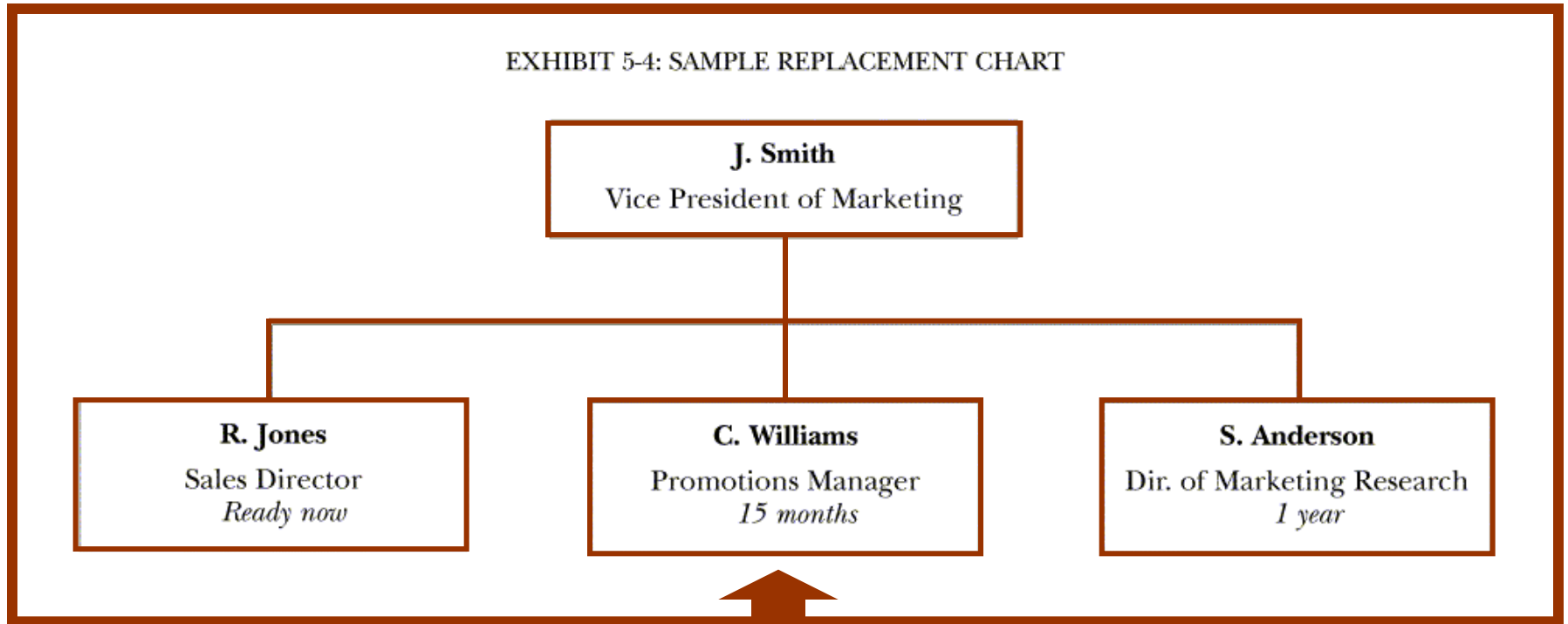
Succession Planning

- Involves identifying key management positions the organization cannot afford to have vacant.

- Purposes of Succession Planning
  - Facilitates transition when an employee leaves.
  - Identifies the development needs of high-potential employees and assists in their career planning.

- In actual practice, many organizations fail to implement succession planning effectively.
  - Qualified successors may seek external career advancement opportunities if succession is not forthcoming.

Succession Planning

- "Replacement chart" identifies
  - Key positions
  - Possible successors for each of these positions
  - Whether each potential successor currently has the background to assume the job responsibilities
  - The expected amount of time it will take for the potential successor to be ready

Succession Planning (cont'd)

EXHIBIT 5-4: SAMPLE REPLACEMENT CHART

J. Smith
Vice President of Marketing

R. Jones
Sales Director
Ready now

C. Williams
Promotions Manager
15 months

S. Anderson
Dir. of Marketing Research
1 year

Objective measuring— Specific skills, competencies, and experiences are missing

Succession Planning

- However, traditional succession planning (replacement charting) has become too time-consuming and inflexible to meet the leadership continuity needs when facing:
  - Continual corporate restructurings, reengineering
  - The increasing use of team-based work systems
  - M&As
  - More partnerships, JVs, and strategic alliances
  - Continual massive downsizing in middle management ranks.

Reading 5.2: Succession Planning Design Shifts

- ## Key design shifts for succession systems:
  - Identify core strategic capabilities/competencies related to key positions and develop a leadership model.
  - Place initiative and responsibility for individual development in the hands of candidate employees.
  - Have a development process that aligns mastery of competencies with the firm's strategic goals and mission.
  - Create a succession process that is more open and less exclusive and secretive.
  - Design the succession process for ongoing and frequent (quarterly rather than annual) review.

Reading 5.2: Other Succession Design Issues

- ## A succession system must:

  - Make sense for and be usable by different business units, each having unique needs.

  - Have a process to focus and guide the development of executives to meet strategic purposes.

  - Be aligned with other HR processes also in transition.

  - Assure the the pool of potential leaders is being prepared for executive positions.

  - Be owned by the senior management.

  - Deal with diversity issues and changing demographics.

  - Measurably add value and contribute to business success.

Reading 5.3: Strategic Levels of HR

- Long-term
  - Is the active conceptualized as long-term as opposed to short-term value?

- Comprehensive
  - Does it cover the entire organization or isolated components?

- Planned
  - Is it thought out ahead of time and is it well documented or does it occur on an ad hoc basis?

- Integrated
  - Does it provide a basis for integrating multifaceted activities that might otherwise be fragmented and disconnected?

- High value-added
  - Does it focus on issues that are critical for business success or does it focus on thing that must be done but are not critical to financial and market success?

Reading 5.3: Reactive and Proactive HR

- Operationally Reactive HR
  - Focuses on implementing the day-to-day demands for HR.
- Operationally Proactive HR
  - Improves upon the design and deliver of the existing HR basics before problems set in.
- Strategically Reactive HR
  - Focuses on supporting the successful implementation of the business strategy.
- Strategically Proactive HR
  - Focuses on creating strategic alternatives.

Reading 5.3: Strategically Reactive HR

- ## HR becomes strategically reactive in business strategy implementation through:

  - Supporting the execution of tactics that drive the long-term strategies.

  - Developing the cultural and technical capabilities necessary for long-term success.

  - By providing change management support for tactical activities.

Reading 5.3: Creating a Strategy-Focused Culture

1. Define the business unit for which the HR practices are being designed.
2. Specify the key trends in the external business environment.
3. Identify and prioritize the firm's sources of competitive advantage
4. Define the required culture and technical knowledge and skill areas required to support the sources of competitive advantage.

Reading 5.3: Creating a Strategy-Focused Culture

5. Identify cultural characteristics that the firm should reduce or eliminate if it is to optimize competitive advantage.

6. Design HR practices that will have greatest impact on creating the desired culture.

7. With these decisions made, the firm should establish action plans for detailed design of the HR processes.

8. The final step specifies the means by which effectiveness of the entire process is measured.

Reading 5.3: Strategically Proactive HR

- ## Becomes proactive by:
  - learning enough about other functional areas to allow HR to contribute to the business
  - expanding/enriching parameters of HR agendas through which strategic alternatives are define and created.
- Creates a culture of of creativity and innovation.
- Is involved in the full breadth of mergers and acquisition activities.
- Creates internal capabilities based on future external environmental requirements.