
UNIT 2 PROCESS AND FUNCTIONS OF HUMAN RESOURCE PLANNING (HRP)

Objectives

After reading this unit, you should be able to:

- 1 the concept and process of HRP,
- 1 the determination of the manpower required and the means of supplying those requirements,
- 1 the review process of manpower plan and how it balances the competing and conflicting elements, and
- 1 the manning and utilizations of manpower.

Structure

- 2.1 Concept and Process of HRP
- 2.2 Preliminaries to Review
- 2.3 Manning Standards and Utilization
- 2.4 HR Information Systems
- 2.5 HR Inventory and Analysis
- 2.6 HR Supply Planning
- 2.7 HR Control and Audit
- 2.8 Management HR Planning
- 2.9 Application to Individual Decisions
- 2.10 Summary
- 2.11 Self-Assessment Questions
- 2.12 Further Readings

2.1 CONCEPT AND PROCESS OF HRP

The objective of human resource planning is to provide continuity of efficient manning for the total business and optimum use of manpower resources, although that optimum utilization of people is heavily influenced by organization and corporate culture.

A manpower planning is concerned with manning in the business, it cannot be a stand-alone activity, but must exist as a part of the planning process for the business itself. The lack of suitable manpower can place severe restrictions on the ability of a business to achieve its objectives, which highlights both the importance of realistic manpower planning and the need for it to be fully integrated with the overall business planning process.

Human resource planning constitutes an integral part of corporate plan and serves the organizational purposes in more ways than one. For example, it helps organizations to (i) capitalize on the strengths of their human resources; (ii) determine recruitment levels; (iii) anticipate redundanceis; (iv) determine optimum training levels; (v) serve as a basis for management development programmes; (vi) cost manpower for new projects; (vii) assist productivity bargaining; (viii) assess future requirements; (ix) study the cost of overheads and value of service functions; and (x) decide whether certain activities need to be subcontracted.

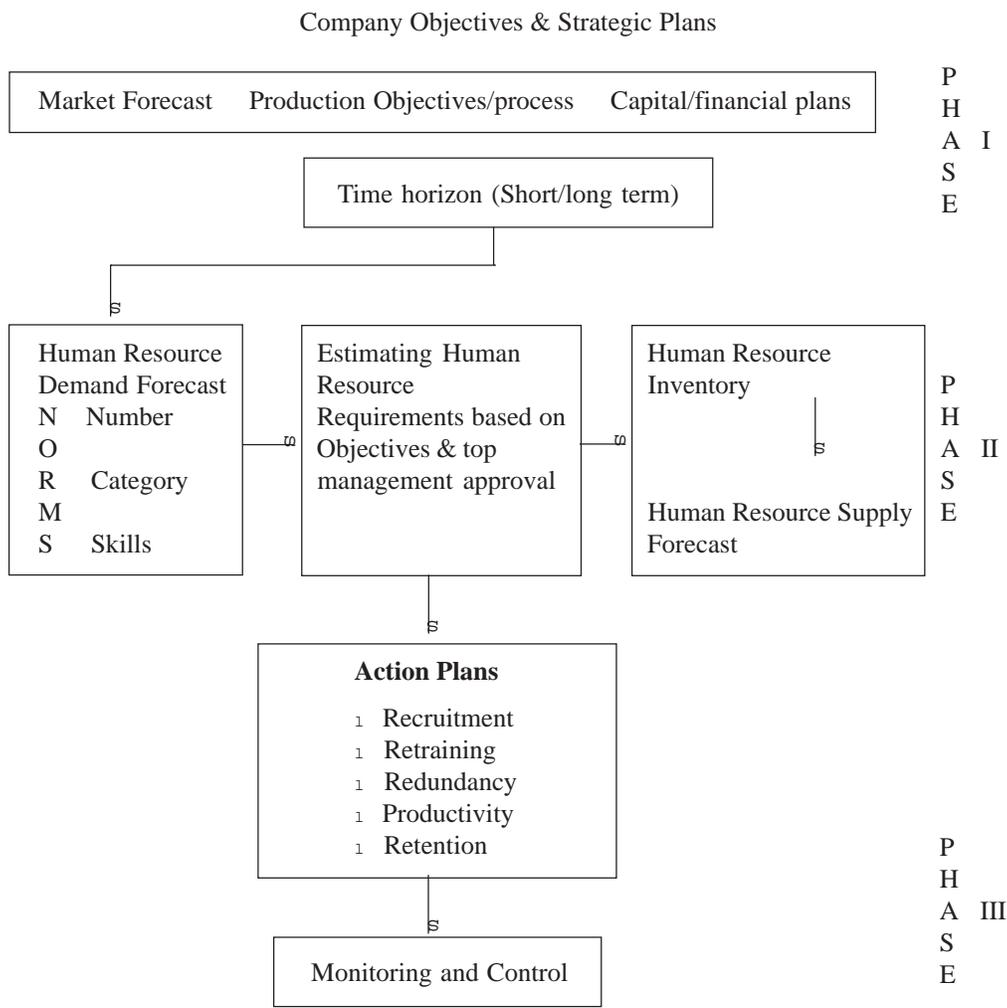
Human resource planning influences corporate strategy and is in turn influenced by it. The HRP process may incorporate all the stages shown in Figure below. The planning process may not always give exact forecasts, and to be effective it should be a continuous process with provision for control and review.

The manpower plan itself falls into two parts – the determination of the manpower required to run the business at a series of points in time into the future, and the means of supplying those requirements. This not limited to central or specialist activities but should involve all the managers fully in the review of options.

The review process, which brings needs and supply together, is frequently given insufficient time and attention. This may be because, once all data are brought together, the result can seem complex and difficult to grasp, but any reduction in complexity if achieved only by ignoring some of the data and taking a limited view, which could reduce the potential for achieving the most effective resourcing.

The purpose of the comprehensive periodic review is to consider all of the needs across the business and to match these with the career preferences and development of the people so that a complete pattern of decisions can be devised for the resourcing actions anticipated over the months ahead. This review provides a base of preliminary decisions for all following actions regarding people. There may be sound reasons for a subsequent change of decision, but then the options and alternatives, which were considered in the review, provide a starting point for the fresh assessment. If some

The HRP Process



Source: *Personnel Management and Human Resource* by C.S. Venkat Ratnam and B.K. Srivastava, Tata McGraw Hill Publishing Co. Ltd. New Delh, p. 57

new requirement emerges, the considerations noted in the original review should help define the updated options quickly, and the implications of alternative actions. Should the scale of unplanned change of extensive, a fresh review might be initiated, at least locally.

In the review process itself, the management task is to balance the many competing and sometimes conflicting elements. Some examples might be:

- 1 conflicting demands for available research and development resources at peaks of activity, with an excess supply available;
- 1 imbalance of skills emerging as technology alters the product range; and
- 1 uncertain timing of developments, which affects the timing of deployments.

These reviews cannot anticipate situations which develop at short notice, but should take into account the need for flexibility to cope with the manpower implications of events such as intended future acquisitions, new business opportunities not allowed for in plans or retention actions needed to avoid the loss of key individuals which might damage establishment plans.

The review process may be viewed as the master programme which integrates resourcing activities with business planning at an operational level to ensure that organization structures and the preparation of manpower resources are matched with the manpower requirements necessary to achieve business objectives and respond to a changing and possibly hostile environment. In parallel, the process should optimize the utilization and growth of the human resources available. The emphasis in most reviews may be on the short-term (one to two year) actions, but there must be a longer term (three to five or five to ten year) perspective – particularly for management continuity, which is a special section of the same process – as the lead time for supply can require this notice.

Meaningful manpower plans are only possible if the review process brings together all of the relevant information at regular intervals and uses these data to re-examine, at every level, the relevance of present and planned future organizations and the competencies which will be required against those available. Outputs from each review should include: detailed decisions on future organization changes and anticipated manpower deployments for a period through two to three months after the next scheduled review; outline decisions on longer term organization changes, deployments and culture change plans; plus confirmation that business requirements can be adequately resourced (or not).

All manpower supply plans and actions should stem from this process and should incorporate provision for continuous reappraisal to identify fresh problems, to respond to new or changed needs, and then to implement actions or monitor progress towards action. This is essentially the means of driving the process of effective resourcing within the business and involves management at every level in a network of associated decisions and action.

2.2 PRELIMINARIES TO REVIEW

Reviews require sound preparatory work and comprehensive personnel records, which give accurate and objective data on all employees. We cannot make judgements on the supply of particular skills unless we have sufficient data on the skills possessed by existing employees. Building up full records requires both an effective system and determination to ensure the data are complete, up-to-date and accurate. Also, the information must be in a form that facilitates easy access during a review.

Personnel records can be seen simply as raw data and their contribution to reviews may come more from analysis of the overall inventory of personnel. Any flaws in that

inventory, identified before the review begins, provide part of the review agenda. For example, heavy loss rates for a key employee group can be analysed carefully in advance, so that part of the action agreed in the review addresses the identified problem. Or, a progressively worsening distortion of the age profile of a category may need to be tackled.

Analyses of the manpower inventory and of flows can establish whether problems are developing which are likely to affect required manning levels, and should play key part in preparing the agendas for reviews. Equally, as other agenda items emerge, analyses may offer potential solutions.

2.3 MANNING STANDARDS AND UTILIZATION

The whole manpower planning process depends enormously on the base of manning standards. This will start with what exists and what should be, and take in all of those factors which will change current standards, including by how much and when. Without some measures of this sort, meaningful planning is very difficult. Many organisations start with what exists now and refine the position as they identify the separate forecastable categories, the bases for assessing standards and the rates of change.

Manager, supervisor and employee involvement and interest is needed to determine standards of all sorts; the first-hand measures they have of the utilization of people are key factors in planning forward needs and subsequent implementation and control.

Ideally, manning standards should be developed from analysis of essential work requirements, with some form of productivity measurement wherever possible. Measurement is by no means restricted to direct manufacturing operations – it can also be applied to many offices or support functions. Where local attitudes or management style make straightforward measurement difficult, existing data in the hands of supervisors and managers can provide useful standards which will encourage supervisors to improve their own human resources utilization, thereby improving manpower productivity.

Wherever this type of analysis is carried out, opportunities should be sought to restructure and enrich jobs and to match people's abilities to job demand, thereby raising the level of job satisfaction. With this comes lower manpower loss rates, lower absenteeism and tighter manning standards generally.

For all this, existing standards have an inertia which we must try to overcome. If we aim to improve the use of people in partnership with subordinate supervisors and managers, we may find the secret of radical improvement in overall manning quality as well as numbers. This is an area for experimentation to determine what works in your environment.

Manpower requirement planning follows on from the establishment of the main assumptions in the business plan. Once we know the level of sales volumes and mix, the manufacturing schedules required, the research and development programmes, etc., we are well on the way to establishing the matching manpower requirements. The plans should include built-in assumptions about the organization structures to be used, and their effects on the levels of manpower required.

Plans should be set out with schedules of associated manpower requirements, giving precise categories, skills and levels for every function. This detail will be necessary as a starting point when the questions of supply planning are tackled. Where appropriate, requirement plans should be based on manning standards associated with work demand factors to facilitate modification as volumes or systems change.

2.4 HR INFORMATION SYSTEMS

Modern management depends on having comprehensive data on which to make decisions. For any system, specification of required inputs and outputs is essential. In building up the manpower database, full coverage of traditional personnel records is required, and it is increasingly possible to cover sophisticated elements, such as competencies required for effective performance of a job, and the competencies possessed by individuals. Data on absenteeism and overtime are also part of the system.

2.5 HR INVENTORY AND ANALYSIS

Who are our employees; what skills do they have; how good are they; how are they developing? These are just some of the many questions to which we need answers. Much of the analysis should come from the information system, but the current inventory is altering all the time with recruitment and losses, promotions and transfers. Assessing the rate and form of change in the inventory is vital to questions of manpower supply because, what we cannot provide from within, we must seek out from other sources.

Data of appraisal of performance, assessment of future potential and the use of psychological tests are all part of the information we use to get the answers we need.

Flows

Analyses of the patterns or flows of people through parts of the organization are invaluable to the manpower planner; flows provide the major part of our supplies data and identifying changes in flow patterns can point to possible difficulties, such as when an existing flow pattern becomes insufficient to meet a changing demand.

Flows tell us about the availability of people who are ready to advance to their next career stages and also provide information such as the average rates at which individual's progress through job, and how those rates vary for different types of people in different functions.

2.6 HR SUPPLY PLANNING

This is the crunch point where we bring together all the data we have on our future requirements, and on our present manpower stock and the ways we expect it to change. From these analysis, we see the future manpower supply set against the developing inventory, detailed by function, category, skill and level. These show our future recruitment needs, highlight needs to increase the promotion rates of some categories by intensive training and development, show retraining and redevelopment needs and identify excess staff who are likely to become redundant.

In all these areas, we need action programmes to ensure that we meet our recognized needs. We must be sure that the actions required are taken and are successful. Otherwise, basic assumptions on the provision of human resources within the business plan may be adversely affected so that business of objectives are endangered.

2.7 HR CONTROL AND AUDIT

The philosophy is one of planning ahead, but this requires basic controls and audits. The logic of controls on every aspect of manning should be evident. We are dealing

with an expensive resource that can be easily misused or underutilized. Controls should be low key, yet quietly ensure that we continually try to use those resources in the best ways possible, and do not casually add additional and non-essential resources. Controls are exercised on current actions and decisions.

Subsequently, we audit results to be sure that intentions have been achieved and that decisions have not been overlooked or ignored. This happens far more than we expect where there is little or no audit. In the whole area of management development in particular, and across the spectrum of planning following the review process, ensuring that plans are followed through is essential. If this is not done, there is little benefit from the considerable use of valuable time involved.

2.8 MANAGEMENT HR PLANNING

Above a certain level, manpower planning ceases to be a matter of numbers by category, and becomes linked to individual positions and individual incumbents. For the top slice of the company, we are dealing with a combination of business development, organization development and individual career development. It must be handled with considerable care, by unbiased and imaginative executives; it must also take into account the employees' viewpoints and preferences, and involve them fully if it is to be a workable plan.

Corporate culture

How a company is managed, its organization structure, its manning standards and thinking on 'how we do things around here' are also determined within a corporate culture. Any significant change in efficiency is almost certainly going to be culture related, but culture is both difficult and slow to change.

If the business demands a change of pace or efficiency, or a different way of doing things, it is not going to come about solely from planning changes in manpower standards or utilization. There will be a need for some radical action to change what people accept as norms for many aspects of their work behaviour, which may well result in a severe disturbance in current manpower and organization.

Periodic full reviews

The way reviews are carried out is likely to vary enormously from one enterprise to the next, but the principles should be more uniform. The most critical is involvement. All of management should participate, with the lowest levels contributing their parts first and progressive reviews forming a reverse cascade up through the organization structure, finishing with a review of the overall manpower plan and the management continuity position at the top.

At the bottom end, each manager should discuss requirements of and deployments with his direct subordinates. Then he can prepare for the review with his boss. A reasonable target time per level might be three weeks, if planned early into business diaries. As reviews progress up the structure, they should concentrate on the continuous two or three levels in the organization, progressively dropping off the lower levels as the review progress upwards. However, issues thought to be of concern at higher levels will be carried forward, such as skills' shortages which may have an impact on the business.

The supporting paper work will vary, with much being prepared as working notes by the participating managers, but it is sensible to assemble and retain some basic record of the discussions and agreements to enable progress to be monitored later, or as the

starting point for fresh consideration if an unforeseen development occurs. There might be sections in the notes for:

- 1 business and environmental changes;
- 1 organization and manning reviews; and
- 1 human resource action plans.

The first section should record the business situation and assumptions on which the review was based. The notes might include a brief appraisal of actual business progress against the business plan, and changes in the environment which differ from the assumptions in the associated environmental scenario, followed by updated views and an evaluation of the implications for human resource management.

The organization and manning plans section should concentrate on: the immediate organization structure, including any fresh thinking on its evolution; the filling of all senior positions at each review level, both currently and in the future, including preparatory development; and reviews of manning specifications, standards and levels, and how they may change. It will be useful if all the main assumptions made in the plan are recorded, so that any need has a firm base on which to build.

The third section, covering human resource action plans will include reference to major human resource strategies associated with the achievability of business objectives. There should be notes on progress against the milestones in current action plans, plus details any new plans triggered by new business or environmental developments, and the associated human resource implications.

Frequency

The frequency of this process should be determined by need. One company in a rapidly changing high-technology sector runs through it at quarterly intervals with strong line management support for what they see as sensible discipline which keeps their organization and manpower utilization finely tuned. In less dynamic industries, a major annual review plus a less formal, but ongoing, mid year update may be sufficient.

The drive to carry through the review process must come from the top and from the line, who must recognize its value to themselves and to the business or they will not spend the time doing it! The human resource function may need to provide some of the drive plus some strong supporting back up. Reviews compete for management time and must demonstrate their contribution to business development and profitability. Local management is generally supportive if the process is working properly and they can see value for their efforts but, even then, resistance to allocating sufficient time may arise as a result of operational pressures.

Essential actions triggered by these reviews, such as manpower movement between divisions, may be difficult to arrange without the involvement of higher management. Usually, these moves need to capitalize on knowledge of the immediate business and be local to those business areas the individuals concerned know well. Movement should generally be within functional disciplines, so that the fast learning is limited to the new business area.

Activity A

Assuming you are a HRD Manager in a organisation, you need to create an HR staffing plan. Briefly explain what criteria will be undertaken and why?

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Activity B

Briefly describe the practices of human resource planning of your organisation or any organisation you are acquainted with. List out the reasons, why this practice is being adopted.

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2.9 APPLICATION TO INDIVIDUAL DECISIONS

The periodic in-depth manpower review establishes a scenario or framework of preliminary decisions. Following this, there will be many day-to-day actions to take before gaining a final overview and implementing the decisions. For example, a chain of individual moves and appointments may be planned to follow a retirement. These should be under scrutiny as the implementation time approaches and they would normally be implemented in a straightforward fashion. However, one of the links in a chain may fail. Someone may resign, performance may falter, or other events may change the situation, causing the plan to be reshaped.

If circumstances change, the obvious starting point for fresh consideration should be the notes from the previous review supporting the original intention, which may record the options and contingencies considered. It is logical to go over this ground in detail, starting from the original review. It should not be acceptable to take a fresh ad hoc decision, which is quite unrelated to the careful, and wider ranging considerations, which took place in the review process.

Actions involving changes from plans should require the discipline of reference back to the comprehensive discussion. For example, a decision to send someone on a training course should fit into his longer term development plans; secondments to meet an emergency are unlikely to have been planned far ahead, but should match a need to broaden experience; a change to a career plan may have been proposed on the basis of one incident, but should be viewed against the full assessment and track record; and so on.

Perhaps the most serious unscheduled actions occur when a key person resigns, or when an unplanned business opportunity requires an immediate appointment. (The review process may have covered these possibilities and noted contingency actions but, more often, the necessary response will upset the plan). One such appointment was followed by a chain of seven other changes down the line, severely: disturbing an entire plan. If that happens, a fresh examination of that sector of the business becomes a necessity. Indeed, any event which triggers a significant volume of unscheduled deployment changes should be followed by a full review to assess the degree of its weakness caused and the actions which can be taken to reinforce the reserves of management.

Human Resource Planning: A Win-Win Process

<i>Wins for Employees</i>	<i>Wins for the Enterprise</i>
1. Competitive pay and benefits plans.	1. Appropriate organization structure and people to face challenges and meet corporate objectives, both short and long term.
2. Career development and opportunities for growth.	2. Development of internal resources, leading to stability and culture building.
3. Reduced fear of redundancy.	3. Improved motivation and morale of employees, leading to improved performance.
4. Training and development, leading to continued marketability.	4. Productivity gains, leading to cost reduction.
5. Continuity of employment due to organization's ability to retain workforce.	5. Improved customer satisfaction, leading to improvement in business.
6. Fuller realisation of potential, leading to job satisfaction.	6. Reduction in hiring and training costs due to the improved ability to retain employees and development of internal resources to fill future vacancies.
7. Conducive work culture and management style leading to satisfaction.	

2.10 SUMMARY

Human resource planning is a process of human resource development. The objective of human resource planning is to provide continuity of efficient manning for the total business and optimum use of manpower resources, although that optimum utilization of people is heavily influenced by organisation and corporate culture.

Human resource planning constitutes an integral part of corporate plan and serves the organisational purposes in more than one way. Human resource planning influences corporate strategy and is in turn influenced by it. The planning process may not always give exact forecasts and to be effective it should be a continuous process with provision for control and review.

The review process, which brings needs and supply together, is frequently given insufficient time and attention. The purpose of the comprehensive periodic review is to consider all of the needs across the business and to match these with the career preferences and development of the people.

The appropriate requirement plans should be based on manning standards associated with work demand factors to facilitate modification as volumes or systems change. Modern management depends on HR information system, HR inventory and flow of people through parts of the organisation. Flows tell us about the availability of people who are ready to advance to their next career stages and also provide information such as the average rates at which individuals progress through jobs, and how those rates vary for different types of people in different functions.

2.11 SELF-ASSESSMENT QUESTIONS

- 1) Explain the review process of human resource planning. Discuss how it balances the competing and conflicting elements.
- 2) Explain the concept of human resource forecasting. Discuss the manning and utilization of manpower.
- 3) Describe the various forecasting techniques. Explain how these techniques are being used in forecasting process.

2.12 FURTHER READINGS

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