

CHAPTER 3

PLANNING: JOBS AND PEOPLE



THE OBJECTIVES OF THIS CHAPTER ARE TO:

- 1 DISCUSS THE CONTRIBUTION AND FEASIBILITY OF HR PLANNING
- 2 EXPLORE THE SCOPE OF HR PLANNING
- 3 EXPLAIN AN INTEGRATED HR PLANNING FRAMEWORK

Planning for human resources has experienced a chequered history. In the 1960s and 1970s it was heralded as a critical tool for business success, as planning to get the right people in the right place at the right time was seen to be essential to achieving rapid growth. In the 1980s and 1990s planning was viewed as a suitable tool for managing downsizing and redundancies. On the other hand it has been argued that planning is no longer meaningful in an era of rapid and discontinuous change where it been recognised that strategies emerge rather than being precisely planned in advance. However, good planning still has an important contribution in supporting strategic HRM in this context (*see*, for example, Boxall and Purcell 2003; Stiles 2001).

THE CONTRIBUTION AND FEASIBILITY OF HR PLANNING

A useful starting point is to consider the different contributions that strategy and planning make to the organisation. A common view has been that they are virtually one and the same – hence the term ‘strategic planning’. Henry Mintzberg (1994, p. 108) distinguished between *strategic thinking*, which is about synthesis, intuition and creativity to produce a not too precisely articulated vision of direction, and *strategic planning*, which is about collecting the relevant information to stimulate the visioning process and also programming the vision into what needs to be done to get there. It is helpful to look at human resource planning in the same way, and this is demonstrated in Figure 3.1. In more detail he suggests:

- **Planning as strategic programming** – planning cannot generate strategies, but it can make them operational by clarifying them; working out the consequences of them; and identifying what must be done to achieve each strategy.
- **Planning as tools to communicate and control** – planning can ensure coordination and encourage everyone to pull in the same direction; planners can assist in finding successful experimental strategies which may be operating in just a small part of the organisation.
- **Planners as analysts** – planners need to analyse hard data, both external and internal, which managers can then use in the strategy development process.
- **Planners as catalysts** – raising difficult questions and challenging the conventional wisdom which may stimulate managers into thinking in more creative ways.

Organisational and human resource planners make an essential contribution to strategic visioning. Sisson and Storey (2000) identify HR planning as ‘one of the basic building blocks of a more strategic approach’. Starting with some ideas of Lam and Schaubroeck (1998) we identify four specific ways in which HR planning is critical to strategy, as it can identify:



Figure 3.1 Human resource strategic visioning and strategic planning (Source: After Mintzberg 1994.)

- *gaps in capabilities* – lack of sufficient skills, people or knowledge in the business which will prevent the strategy being implemented successfully;
- *surpluses in capabilities* – providing scope for efficiencies and new ventures to capitalise on the skills, people and knowledge that are currently underused in order to influence or shape the strategy;
- *poor utilisation of people* – suggesting inappropriate human resource practices that need to be altered;
- *developing a talent pool*.

If you turn back to Chapter 2 and look again at the resource-based view of the firm you will see how these four aspects are crucial to sustaining competitive advantage through making the most of human resources.

Our environment of rapid and discontinuous change makes any planning difficult, and HR planning is especially difficult as people have free will, unlike other resources, such as finance or technology. The contribution and implementation of HR planning is likely to be enhanced if:

- plans are viewed as flexible and reviewed regularly, rather than being seen as an end point in the process;
- stakeholders, including all levels of manager and employee, are involved in the process. Surveys and focus groups are possible mechanisms, in addition to line manager representatives on the HR planning team;
- planning is owned and driven by senior managers rather than HR specialists, who need to facilitate the process;
- plans are linked to business and HR strategy;
- plans are user-friendly and not overly complex;
- it is recognised that while a comprehensive plan may be ideal, sometimes it may only be feasible to plan on an issue-by-issue basis.

WINDOW ON PRACTICE

Tony, the Personnel Manager, shouted at Ian, the Chief Executive: 'What do you mean, it wasn't agreed?'

'I mean it's the first I've heard that you need £22k for a new apprentice scheme.'

'Well, it was in the plan.'

'What plan?'

'The manpower plan, what other f*****g plan would I mean!'

'You didn't ask me for the money.'

'I asked you in the plan, and you didn't come back and say we couldn't have it.'

'I didn't come back and say you could – now let's start at the beginning – tell me why we need to spend it and what will happen if we don't.'

The conversation continued and finally Tony and Ian began to talk about the real issues. Ian never told Tony that he had filed the manpower plan unread, but he did tell him that he wanted next year's plan to be five pages of interpretation and recommendations and not 85 pages of figures.

THE SCOPE OF HUMAN RESOURCE PLANNING

Traditionally human resource planning, generally termed manpower planning, was concerned with the numbers of employees and the levels and types of skill in the organisation. A typical model of traditional manpower planning is shown in Figure 3.2. In this model the emphasis is on balancing the projected demand for and supply of labour, in order to have the right number of the right employees in the right place at the right time. The demand for manpower is influenced by corporate strategies and objectives, the environment and the way that staff are utilised within the business. The supply of manpower is projected from current employees (via calculations about expected leavers, retirements, promotions, etc.) and from the availability of the required skills in the labour market. Anticipated demand and supply are then reconciled by considering a range of options, and plans to achieve a feasible balance are designed.

As the world has moved on this model has been viewed as too narrow, being heavily reliant on calculations of employee numbers or potential employee numbers. It has also been criticised for giving insufficient attention to skills (Hendry 1994; Taylor 1998). In addition there has been an increasing recognition of the need to plan, not just for hard numbers, but for the softer issues of employee behaviour, organisation culture and systems; these issues have been identified as having a key impact on business success in the current environment.

Increasingly there is a need for organisations to integrate the process of planning for numbers and skills of employees; employee behaviour and organisational culture; organisation design and the make-up of individual jobs; and formal and informal systems. These aspects are all critical in terms of programming and achieving the vision. Each of these aspects interrelates with the others. However, reality has always

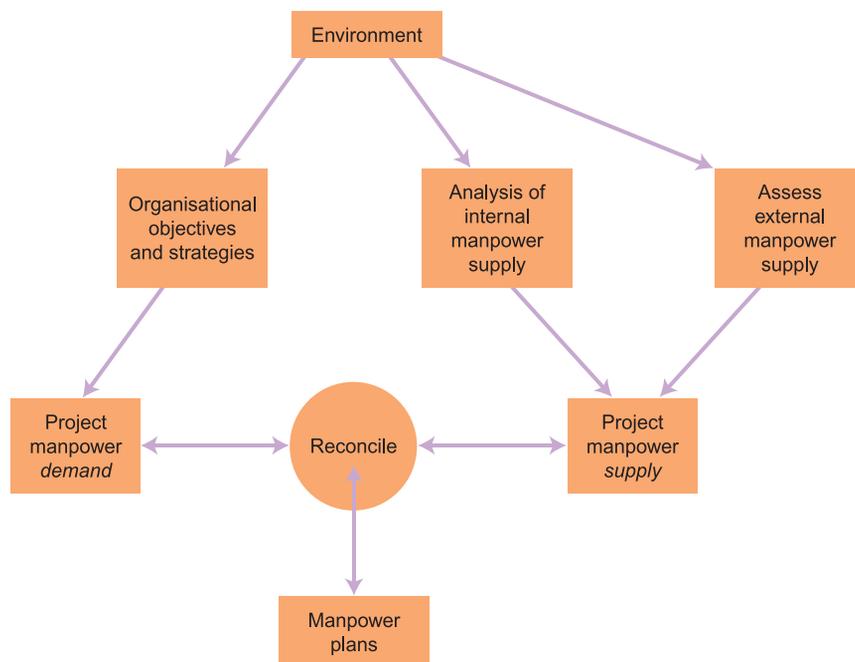


Figure 3.2 A model of traditional manpower planning

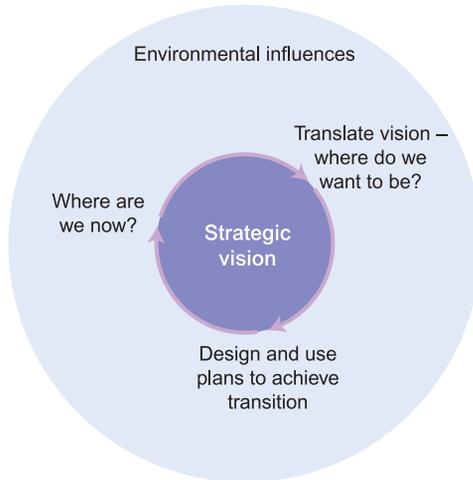


Figure 3.3 Integrated human resource planning framework

been recognised as being a long way from identified best practice. Undoubtedly different organisations will place different emphases on each of these factors, and may well plan each separately or plan some and not others.

The framework we shall use in this chapter attempts to bring *all* aspects of HR planning together, incorporating the more traditional approach to ‘manpower planning’, but going beyond this to include behaviour, culture, systems and so on. Our framework identifies ‘where we want to be’, translated from responses to the strategic vision; ‘where we are now’; and ‘what we need to do to make the transition’ – all operating within the organisation’s environment. The framework is shown in diagrammatic form in Figure 3.3. An alternative framework to use may be the HR scorecard (see Becker *et al.* 2001). Chapter 33 provides more details.

We shall now look in more depth at each of these four areas. The steps are presented in a logical sequence. In practice, however, they may run in parallel, and/or in an informal fashion, and each area may well be revisited a number of times.

ANALYSING THE ENVIRONMENT

In this chapter we refer to the environment broadly as the context of the organisation, and this is clearly critical in the impact that it has on both organisational and human resource strategy. Much strategy is based on a response to the environment – for example, what our customers now want or what competitors are now offering – or in anticipation of what customers will want or what they can be persuaded to want. In human resource terms we need to identify, for example, how difficult or easy it will be to find employees with scarce skills and what these employees will expect from an employer so that we can attract them. (See HRP Exercise, 3.1, note 1, on the website.) We shall be concerned with legislation which will limit or widen the conditions of employment that we offer, with what competitors are offering and with what training schemes are available locally or nationally.

Data on relevant trends can be collected from current literature, company annual reports, conferences/courses and from contacts and networking. Table 3.1 gives examples of the many possible sources for each major area.



Trend area	Possible sources
Social	Census information CIPD journals News media <i>Social Trends</i> <i>General Household Survey</i> <i>Employment Gazette</i> Local papers
Demographics	<i>Labour Market Quarterly</i> Census information <i>Employment Gazette</i> Local Council, Learning and Skills Councils
Political and legislative	News media <i>Proceedings of European Parliament</i> <i>Proceedings of British Parliament</i> <i>Hansard</i> <i>Industrial Relations Review and Report</i> <i>Industrial Law Journal</i> <i>IDS Brief</i>
Industrial and technological	<i>Employment Digest</i> Journals specifically for the industry <i>Financial Times</i> Employers' association Trade association
Competitors	Annual reports Talk to them!

Table 3.1
Sources of
information on
environment
trends

WINDOW ON PRACTICE

The impact of demographics

The number of younger people in the population is reducing in proportion to the number of older people, as birth rates are lower than previously and people are living longer. This has an impact on many organisations. For example skills loss and shortages will require organisational planners to devise novel solutions. One of these is to delay retirement age, so that vital skills are retained for longer. Alternatively a flexible retirement age could be applied by companies rather than a mandatory age (typically 65 for men and 60 for women in the UK). This is a markedly different perspective than that taken in the 1990s, when early retirement was viewed as a favourable means to downsize the organisation. There is a further pressure from a legal perspective – mandatory retirement ages may constitute age discrimination, and different retirement ages for men and women may constitute sex discrimination. This is not just a UK phenomenon, and Gomez *et al.* (2002) explore this in the Canadian context, making the point that a flexible retirement age will make HR planning much more difficult for companies particularly in respect of succession planning and planning for disability, medical and pension costs.

Once one has acquired and constantly updated data on the environment, a common method of analysis is to produce a map of the environment, represented as a wheel. The map represents a time in the future, say three years away. In the centre of the wheel can be written the core purpose of the organisation as it relates to people, or potential future strategies or goals. Each spoke of the wheel can then be filled in to represent a factor of the external environment, for example, potential employees, a specific local competitor, competitors generally, regulatory bodies, customers, government. From all the spokes the six or seven regarded as most important need to be selected.

These can then be worked on further by asking what demands each will make of the organisation, and how the organisation will need to respond in order to achieve its goals. From these responses can be derived the implications for human resource activities. For example, the demands of potential employees may be predicted as:

- We need a career not just a job.
- We need flexibility to help with childrearing.
- We want to be treated as people and not as machines.
- We need a picture of what the organisation has in store for us.
- We want to be better trained.

And so on.

Managers then consider what the organisation would need to offer to meet these needs in order to meet a declared organisational goal or strategy. It is a good way of identifying human resource issues which need to be addressed. The analysis can also be fed back into identifying and clarifying the future vision or goals in human resource terms. Figure 3.4 gives an outline for the whole process. (For a worked example *see* HRP Exercise, 3.1, note 2, on the website.)



ACTIVITY 3.1

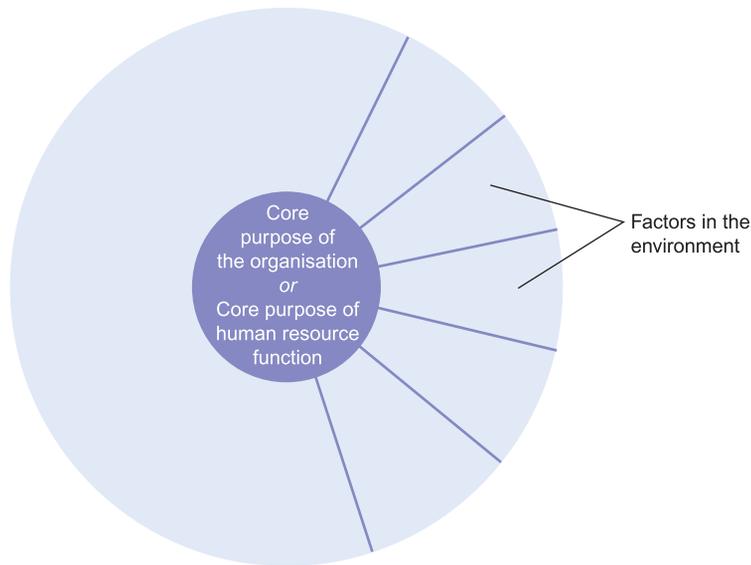
Draw a map of the external environment, for any organisation in which you are involved, for three to five years ahead. Individually, or as a group, brainstorm all the spokes in the wheel and select the six most important ones. Draw up a demands and responses list for each. Write a summary (one side of A4) of what you think your organisation's priorities should be in the people area over the next 3–5 years.



FORECASTING FUTURE HUMAN RESOURCE NEEDS

Organisation, behaviour and culture

There is little specific literature on the methods used to translate the strategic objectives of the organisation and environmental influences into qualitative or soft human resource goals. In general terms, they can be summed up as the use of managerial judgement. Brainstorming, combined with the use of structured checklists or matrices, can encourage a more thorough analysis. Organisation-change literature



Individual factors in the environment

<i>Demands from the factor</i>	<i>Responses from the organisation</i>

Figure 3.4 Mapping the environment

and corporate planning literature are helpful as sources of ideas in this area. Three simple techniques are a human resource implications checklist (see Figure 3.5), a strategic brainstorming exercise (Figure 3.6) and a behavioural expectation chart (HRP Exercise, 3.1, note 3, on the website). The HR scorecard may be a useful tool for this aspect of planning, and the use of scenarios may also be helpful (see, for example, Boxall and Purcell 2003; Turner 2002). Scenarios can be used to provide a picture of alternative organisational futures and alternative HR responses to these.



Figure 3.5
The beginnings
of a human
resource
implications
checklist

Corporate goal	Human resource implications in respect of:	Methods of achieving this
	New tasks? For whom? What competencies needed? Relative importance of team/individual behaviour Deleted tasks? How will managers need to manage?	



Managers write a corporate goal in the centre and brainstorm changes that need to take place in each of the four areas, one area at a time

Figure 3.6 Strategic brainstorming exercise

Employee numbers and skills (demand forecasting)

There is far more literature in the more traditional area of forecasting employee number demand based on the organisation’s strategic objectives. Both objective and subjective approaches can be employed. Objective methods include statistical and work study approaches.

Statistical models generally relate employee number demand to specific organisational circumstances and activities. Models can take account of determining factors, such as production, sales, passenger miles, level of service. A simple model might relate people demand to production, using a constant relationship, without making any assumptions about economies of scale. In this model if output is to be doubled, then employees would also need to be doubled. (See HRP Exercise, 3.1, note 4, on the website.)



More complicated equations can be formulated which describe the way that a combination of independent factors is expected to affect the dependent employee demand. By inserting new values for the independent factors, such as new projected sales figures, we can work out the demand for employees from the equation. The equations can also be represented as graphs, making the relationships clear to see. These models can be adapted to take account of projected changes in utilisation, owing to factors such as the introduction of new technology, or alternative organisational forms, such as high-performance teams.

The work-study method is based on a thorough analysis of the tasks to be done, and the time each takes. From this the person-hours needed per unit of output can be calculated, and standards are developed for the numbers and levels of employees required. These are most useful when one is studying production work. They need to be checked regularly to make sure they are still appropriate. Work study is usually classified as an objective measure; however, it is often accepted that since the development of standards and the grouping of tasks is partly dependent on human judgement, it could be considered as a subjective method.

The most common subjective method of demand forecasting is managerial judgement (sometimes referred to as managerial opinion or the inductive method), and this can also include the judgements of other operational and technical staff, as well as all levels of managers. This method relies on managers’ estimates of human resource demand based on past experience and on corporate plans. Managerial judgements can be collected from the ‘bottom up’ with lower-level managers providing estimates to go up the hierarchy for discussion and redrafting. Alternatively, a ‘top-down’ approach can be used with estimates made by the highest level of

Table 3.2 A Range of methods to change employee utilisation

<ul style="list-style-type: none"> • Introducing new materials or equipment, particularly new technology • Introducing changes in work organisation, such as: <ul style="list-style-type: none"> – quality circles – job rotation – job enlargement – job enrichment – autonomous work groups – high-performance teams – participation • Organisation development • Introducing changes in organisation structure, such as: <ul style="list-style-type: none"> – centralisation/decentralisation – new departmental boundaries – relocation of parts of the organisation – flexible project structures • Introducing productivity schemes, bonus schemes or other incentive schemes • Encouraging greater staff flexibility and work interchangeability • Altering times and periods of work • Training and appraisal of staff • Developing managers and use of performance management
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management to go down the hierarchy for discussion and redrafting. When this method is used it is difficult to cope with changes that are very different from past experiences. It is also less precise than statistical methods, but it is more comprehensive. Managerial judgement is a simple method, which can be applied fairly quickly and is not restricted by lack of data, particularly historical data, as are statistical techniques. However, managerial judgement is important even when statistical techniques are used. (See HRP Exercise, 3.1, note 5, on the website.)



A specialised procedure for the collection of managerial opinions is based on the idea of the oracle at Delphi. A group of managers anonymously and independently answer questions about anticipated human resource demand. A compilation of the answers is fed back to each individual, and the process is repeated until all the answers converge.

The way that human resources are utilised will change the number of employees required and the necessary skills needed. There are many ways to change how employees are used, and these are shown in Table 3.2. Some methods are inter-related or overlap and would therefore be used in combination. (See HRP Exercise, 3.1, note 6, on the website.) Interconnections between most of these areas and soft human resources planning are also apparent.



ANALYSING THE CURRENT SITUATION AND PROJECTING FORWARD

Organisation, behaviour and culture

It is in this area that more choice of techniques is available, and the possibilities include the use of questionnaires to staff (HRP Exercise, 3.1, note 7, on the website), interviews with staff and managerial judgement. Focus groups are an increasingly popular technique where, preferably, the Chief Executive meets with, say, 20 representative



staff from each department to discuss their views of the strengths and weaknesses of the organisation, and what can be done to improve. These approaches can be used to provide information on, for example:

- Motivation of employees.
- Job satisfaction.
- Organisational culture.
- The way that people are managed.
- Attitude to minority groups and equality of opportunity.
- Commitment to the organisation and reasons for this.
- Clarity of business objectives.
- Goal-focused and other behaviour.
- Organisational issues and problems.
- What can be done to improve.
- Organisational strengths to build on.

WINDOW ON PRACTICE

Jennifer Hadley is the Chief Executive of Dynamo Castings, a long-established organisation which had experienced rapid growth and healthy profits until the past three years. Around 800 staff were employed mostly in production, but significant numbers were also employed in marketing/sales and research/development. Poor performance over the last three years was largely the result of the competition who were able to deliver a quality product quicker and at a competitive price. Dynamo retained the edge in developing new designs, but this consumed a high level of resources and was a lengthy process from research to eventual production. Most employees had been with the company for a large part of their working lives and the culture was still appropriate to the times of high profit where life had been fairly easy and laid back. Messages about difficult times, belt tightening and higher productivity with fewer people had been filtered down to employees, who did not change their behaviour but did feel threatened.

It was with some trepidation that Jennifer decided to meet personally with a cross-section of each department to talk through company and departmental issues. The first meeting was with research/development. As expected, the meeting began with a flood of concerns about job security. No promises could be given. However, the mid-point of the meeting was quite fruitful, and the following points, among others, became clear:

- that development time could be reduced to one year from two if some production staff were involved in the development process from the very beginning;

- that many development staff felt their career prospects were very limited and a number expressed the wish to be able to move into marketing. They felt this would also be an advantage when new products were marketed;
- that staff felt fairly paid and would be prepared to forgo salary rises for a year or two if this would mean job security; they liked working for Dynamo and didn't want to move;
- that staff were aware of the difficult position the company was in but they really didn't know what to do to make it any better;
- development staff wanted to know why Dynamo didn't collaborate with Castem Ltd on areas of mutual interest (Jennifer didn't know the answer to this one).

The meeting gave Jennifer not only a better understanding of what employees felt, but also some good ideas to explore. Departmental staff knew their problems had not been wiped away, but did feel that Jennifer had at least taken the trouble to listen to them.

Turnover figures, performance data, recruitment and promotion trends and characteristics of employees may also shed some light on these issues.

Data relating to current formal and informal systems, together with data on the structure of the organisation, also need to be collected, and the effectiveness, efficiency and other implications of these need to be carefully considered. Most data will be collected from within the organisation, but data may also be collected from significant others, such as customers, who may be part of the environment.

Current and projected employee numbers and skills (employee supply)

Current employee supply can be analysed in both individual and overall statistical terms. To gain an overview of current supply the following factors may be analysed either singly or in combination: number of employees classified by function, department, occupation job title, skills, qualifications, training, age, length of service, performance appraisal results. (See HRP Exercise, 3.1, note 8, on the website.)



Forecasting employee supply is concerned with predicting how the current supply of employees will change, primarily how many will leave, be internally promoted or transferred. These changes are forecast by analysing what has happened in the past, in terms of staff retention and/or movement, and projecting this into the future to see what would happen if the same trends continued. The impact of changing circumstances would also need to be taken into account when projecting analyses forward. Bell (1989) provides an extremely thorough coverage of possible analyses, on which this section is based. Behavioural aspects are also important, such as investigating the reasons why staff leave, the criteria that affect promotions and transfers and changes in working conditions and in HR policy. Analyses fall broadly into two categories: analyses of staff leaving, and analyses of internal movements. The following calculations are the most popular forms of analysing staff leaving the organisation.

Annual labour turnover index

The annual labour turnover index is sometimes called the percentage wastage rate, or the conventional turnover index. This is the simplest formula for wastage and looks at the number of staff leaving during the year as a percentage of the total number employed who could have left.

$$\frac{\text{Leavers in year}}{\text{Average number of staff in post during year}} \times 100 = \text{percentage wastage rate}$$



(See HRP Exercise, 3.1, note 9, on the website.)

This measure has been criticised because it gives only a limited amount of information. If, for example, there were 25 leavers over the year, it would not be possible to determine whether 25 different jobs had been left by 25 different people, or whether 25 different people had tried and left the same job. Length of service is not taken into account with this measure, yet length of service has been shown to have a considerable influence on leaving patterns, such as the high number of leavers at the time of induction.

Stability index

The stability index is based on the number of staff who could have stayed throughout the period. Usually, staff with a full year's service are expressed as a percentage of staff in post one year ago.

$$\frac{\text{Number of staff with one year's service at date}}{\text{Number of staff employed exactly one year before}} \times 100 = \text{percent stability}$$



(See HRP Exercise, 3.1, note 10, on the website.)

This index, however, ignores joiners throughout the year and takes little account of length of service.

Cohort analysis

A cohort is defined as a homogeneous group of people. Cohort analysis tracks what happens as some people leave a group of people with very similar characteristics who all joined the organisation at the same time. Graduates are an appropriate group for this type of analysis. A graph showing what happens to the group can be in the form of a survival curve or a log-normal wastage curve, which can be plotted as a straight line and can be used to make predictions. The disadvantage of this method of analysis is that it cannot be used for groups other than the specific group for which it was originally prepared. The information has also to be collected over a long time-period, which produces problems of availability and reliability of data.

Half-life

The half-life is a figure expressing the time taken for half the cohort to leave the organisation. The figure does not give as much information as a survival curve, but it is useful as a summary and as a method of comparing different groups.

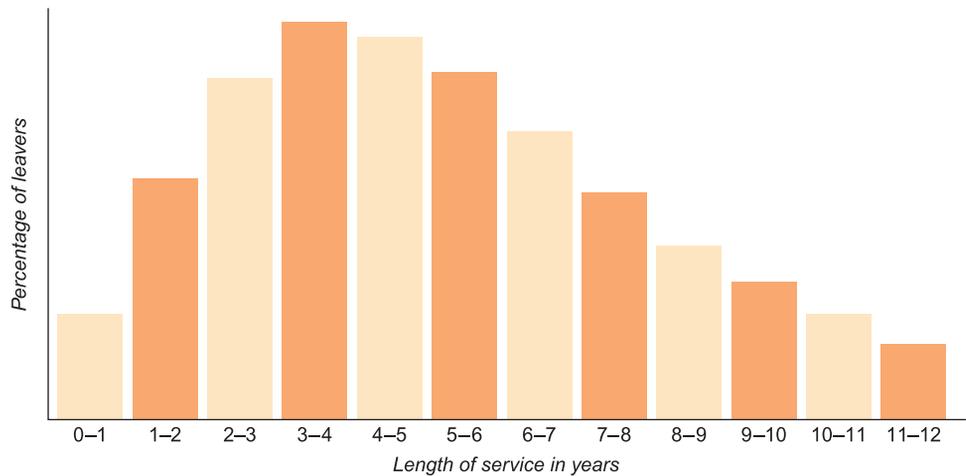


Figure 3.7 Census analysis: percentage of leavers with differing lengths of service

Census method



The census method is an analysis of leavers over a reasonably short period of time – often over a year. The length of completed service of leavers is summarised by using a histogram, as shown in Figure 3.7. (See HRP Exercise, 3.1, note 11, on the website.)

Retention profile

Staff retained, that is those who remain with the organisation, are allocated to groups depending on the year they joined. The number in each year group is translated into a percentage of the total number of individuals who joined during that year.

We move now to methods of analysing internal movements. These focus on either overall analyses of movement patterns in the organisation or succession planning, which has a more individual emphasis.

Analyses of internal movements



And now we turn to employee movements. Age and length of service distributions can be helpful to indicate an overall pattern of problems that may arise in the future, such as promotion blocks. They need to be used in conjunction with an analysis of previous promotion patterns in the organisation. (See HRP Exercise, 3.1, note 12, on the website.) An alternative is a stocks and flows analysis of the whole organisation or a part of it, such as a department. The model is constructed to show the hierarchy of positions and the numbers employed in each. Numbers moving between positions, and in and out of the organisation over any time-period, can be displayed. The model displays visually promotion and lateral move channels in operation, and shows what happens in reality to enable comparison to be made with the espoused approach, but users need to recognise, and work within, the limitation that the structure of jobs will change more rapidly than in the past.

Succession planning

Succession planning has a very high profile at present. This has developed from the original process of replacement planning which tended to be an informal approach to promotion with a short-term focus on who would be able to replace senior people if they left suddenly, so that disruption and dislocation were minimised (*see*, for example, Huang 2001). In the 1980s more formal approaches were used which included careful analysis of the jobs to be filled, a longer-term focus, developmental plans for individuals who were identified as successors, and the possibility of cross-functional moves. This approach was typically applied to those identified as having high potential, and was generally centred on the most senior positions. Larger organisations would produce tables of key jobs on which were named immediate successors, probable longer-term successors and potential longer-term successors, all with attached development plans. Alternatively, high-potential individuals were identified with likely immediate moves, probable longer-term moves and possible longer-term moves. However, as Hirsh (2000) points out, this model is appropriate to a stable environment and career structure, and the emphasis in current succession planning has changed yet again.

The focus now is on the need to build and develop a pool of talent, without such a clear view of how the talent will be used in the future. This is a more dynamic approach and fits well with the resource-based view of the firm. While the link to business strategy is emphasised, there is more recognition of individual aspirations and a greater opportunity for people to put themselves forward to be considered for the talent pool. Developing talent at different leadership levels in the organisation is considered important. Much greater openness in succession planning is encouraged, and more consideration is given to the required balance between internal talent development and external talent. Simms (2003) provides an interesting debate on these issues, which is provided as case study 3.2, on the website.



WINDOW ON PRACTICE

Succession planning at Astra Zeneca

Astra Zeneca have designed a new succession planning programme which replaces an older more complex Zeneca one, and an Astra one which reflected the competition rather than collaboration between local sites. The new programme was designed to bring the best out of both systems.

The business drivers for the new system were to:

- develop leadership capability to move a larger global business forward
- integrate the business culturally (Zeneca was UK based and demerged from ICI; Astra was Swedish)
- ensure a diverse, cross-functional base of talent
- develop the ability to lead cross-functional and cross-national teams

In the new system there is greater integration with business and strategic planning, and the focus is on identifying an international key talent pool rather than identifying

successors to current jobs which may not exist in the future. Individuals in the pool are provided with challenging opportunities to foster their development. They are also made aware that they are valued and supported, and are involved in an open dialogue. While it is also necessary for future leaders to be identified and developed, they must be broadly based, come from diverse backgrounds and possess strategic capability.

Source: Summarised from: Industrial Relations Services (2002) 'The changing face of succession planning', *IRS Employment Review*, No. 756, July, pp. 37–42.

ACTIVITY 3.2

- 1 Why do employees leave organisations?
- 2 What are the determinants of promotion in your organisation? Are they made explicit? Do staff understand what the determinants are?
- 3 What would be your criteria for promotion in your organisation?



RECONCILIATION, DECISIONS AND PLANS

We have already said that, in reality, there is a process of continuous feedback between the different stages of human resource planning activities, as they are all interdependent. On the soft side (organisation, behaviour and culture) there is a dynamic relationship between the future vision, environmental trends and the current position. Key factors to take into account during reconciliation and deciding on action plans are the acceptability of the plans to both senior managers and other employees, the priority of each plan, key players who will need to be influenced and the factors that will encourage or be a barrier to successful implementation.

On the hard side, feasibility may centre on the situation where the supply forecast is less than the demand forecast. Here, the possibilities are to:

- Alter the demand forecast by considering changes in the utilisation of employees (such as training and productivity deals, or high-performance teams): by using different employees with higher skills; employing staff with insufficient skills and training them immediately; or outsourcing the work.
- Alter the supply forecast by, say, reducing staff turnover or delaying retirement.
- Change the company objectives, as lack of human resource will prevent them from being achieved in any case. Realistic objectives need to be based on the resource that is, and is forecast to be, available either internally or externally.

When the demand forecast is less than the internal supply forecast in some areas, the possibilities are to:

- Consider and calculate the costs of overemployment over various timespans.
- Consider the methods and cost of losing staff.
- Consider changes in utilisation: work out the feasibility and costs of retraining, redeployment and so on.
- Consider whether it is possible for the company objectives to be changed. Could the company diversify, move into new markets, etc.?

We have also noted the interrelationship between the soft and the hard aspects of planning. For example, the creation of high-performance teams may have implications for different staffing numbers, a different distribution of skills, alternative approaches to reward and a different management style. The relocation of supplier's staff on to premises of the company that they supply, in order to get really close to this customer, could have implications for relocation, recruitment, skills required and culture encouraged. The development of a learning organisation may have implications for turnover and absence levels, training and development provision, culture encouraged and approach to reward.

Once all alternatives have been considered and feasible solutions decided, specific action plans can be designed covering all appropriate areas of HRM activity. For example:

- 1 Human resource supply plans.** Plans may need to be made concerning the timing and approach to recruitment or downsizing. For example, it may have been decided that in order to recruit sufficient staff, a public relations campaign is needed to promote a particular company image. Promotion, succession, transfer and redeployment and redundancy and retirement plans would also be relevant here. Increasingly there is the need to focus on plans for the development and retention of the talent pool.
- 2 Organisation and structure plans.** These plans may concern departmental existence, remit and structure and the relationships between departments. They may also be concerned with the layers of hierarchy within departments and the level at which tasks are done, and the organisational groups within which they are done. Changes to organisation and structure will usually result in changes in employee utilisation.
- 3 Employee utilisation plans.** Any changes in utilisation that affect human resource demand will need to be planned. Some changes will result in a sudden difference in the tasks that employees do and the numbers needed; others will result in a gradual movement over time. Other plans may involve the distribution of hours worked, for example the use of annual hours contracts; or the use of functional flexibility where employees develop and use a wider range of skills. There are implications for communications plans as the employees involved will need to be consulted about the changes and be prepared and trained for what will happen. There will be interconnections with supply plans here: for example, if fewer employees will be needed, what criteria will be used to determine who should be made redundant and who should be redeployed and retrained, and in which areas?
- 4 Learning and development plans.** There will be development implications from both the human resource supply and utilisation plans. The timing of development can be a critical aspect. For example, training for specific new technology skills loses most of its impact if it is done six months before the equipment arrives. If the

organisation wishes to increase recruitment by promoting the excellent development that it provides for employees, then clear programmes of what will be offered need to be finalised and resourced so that these can then be used to entice candidates into the organisation. If the organisation is stressing customer service or total quality, then appropriate development will need to be developed to enable employees to achieve this.

- 5 **Performance management and motivation plans.** These plans may include the development or renewal of a performance management system; ensuring that employees are assessed on objectives or criteria that are key to organisational success, and which may then be linked to reward. They may also include setting performance and quality standards; culture change programmes aimed at encouraging specified behaviour and performance; or empowerment or career support to improve motivation.
- 6 **Reward plans.** It is often said that what gets rewarded gets done, and it is key that rewards reflect what the organisation sees as important. For example, if quantity of output is most important for production workers, bonuses may relate to number of items produced. If quality is most important, then bonuses may reflect reject rate, or customer complaint rate. If managers are only rewarded for meeting their individual objectives there may be problems if the organisation is heavily dependent on teamwork.
- 7 **Employee relations plans.** These plans may involve unions, employee representatives or all employees. They would include any matters which need to be negotiated or areas where there is the opportunity for employee involvement and participation.
- 8 **Communications plans.** The way that planned changes are communicated to employees is critical. Plans need to include not only methods for informing employees about what managers expect of them, but also methods to enable employees to express their concerns and needs for successful implementation. Communications plans will also be important if, for example, managers wish to generate greater employee commitment by keeping employees better informed about the progress of the organisation.

Once the plans have been made and put into action, the planning process still continues. It is important that the plans be monitored to see if they are being achieved and if they are producing the expected results. Plans will also need to be reconsidered on a continuing basis in order to cope with changing circumstances.

SUMMARY PROPOSITIONS

- 3.1 Even in a context of rapid and discontinuous change HR planning still has a valuable contribution to make, but as human resource planning deals with people, planners need to plan for what is acceptable as well as what is feasible.
- 3.2 The scope of human resource planning covers not only numbers of people and skills, but also structure, culture, systems and behaviour.

3.3 An integrated framework which attempts to cover all aspects of HR planning involves:

- analysing the external environment and business strategy;
- analysing where do we want to be? (forecasting HR requirements);
- analysing where are we now? (defining the current HR position and projecting this forward);
- comparing the two and forming plans to bridge the gap.

3.4 Human resource planning is a continuous process rather than a one-off activity.

GENERAL DISCUSSION TOPICS

- 1 Discuss the proposition that traditional (numbers) human resource planning is only of interest to organisations in periods of growth when unemployment levels are low.
- 2 ‘It is worthwhile planning even if you have no strategy.’ For what reasons might you agree or disagree with this statement?

FURTHER READING

McNeilly, M. (2002) ‘Gathering information for strategic decisions’, *Strategy and Leadership*, Vol. 30, No. 5, pp. 29–34

Focuses on information gathering, making strategic decisions and taking action, and provides some useful tools for each of these three stages. Some interesting suggestions for making strategic decisions include scenario planning and acting out scenarios in advance.

Turner, P. (2002) *Strategic Human Resource Forecasting*. London: CIPD

An excellent and detailed text which covers issues involved in forecasting, strategy and planning and the HR role in this. Turner includes a wide range of aspects of HR from employee numbers to employee relations and organisation design.

Walker, G. and MacDonald J. (2001) ‘Designing and Implementing an HR scorecard’, *Human Resource Management*, Vol. 40, No. 4, pp. 365–77

This is a useful introduction to the concept of an HR scorecard developed from Kaplan and Norton’s balanced scorecard model. The article is practical rather than academic and demonstrates how companies have constructed and applied the card.

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An extensive range of additional materials, including multiple choice questions, answers to questions and links to useful websites can be found on the Human Resource Management Companion Website at www.pearsoned.co.uk/torrington.

