Human resource planning and factors affecting employee turnover essay sample

Business, Management

Abstract

Human resource planning is currently regarded as an essential requirement for any organization to achieve the corporate business goals and to gain a competitive advantage over competitors, but it does not always appear to be given high priority in practice. High rates of employee turnover can prove very expensive and milk organization's financial resources. The costs of replacing employee positions have been escalating upward for many years. This research paper will investigate the history and evolution of human resource management and the various factors which might affect human resource planning with a focus on employee retention. A review of relevant evidence indicates that, since the 1980s, Human resource management techniques have steadily improved.

Human resource management techniques have become more strategic in form and function and a focus on improved international human resource management techniques are apparent. Human resource departments are now looked upon as potential partners in the strategic decision making processes of the organization. Organizational culture emphasizes the interpersonal relationship, values of team orientation and respect for the employee has emerged as one of the dominant factors affecting employee turnover.

Human resource planning can be simply summarized as the aim of a company to have the right people, with the right skills, in the right places, at the right time. One of the most effective interventions to address employee

turnover problems is the development of fully integrated Retention policy as part of the overall human resource plan.

Human Resource Planning & Factors affecting

Employee Turnover and Retention Introduction

Dwight D. Eisenhower once said " In preparing for battle, I have always found that plans are useless but planning is indispensable." Today, Organizations face immense pressure to find ways to implement their strategies in a fast changing, turbulent business environment, in which planning lifespans are prone to shrivel because of the urge to reduce the ' time-to-market' intervals. Human resource management has to perform in ever changing political, social and economic times, which affect all parts of the organization and its human resource management activities. (Zeffane & Mayo, 1994).

Changing socioeconomic trends have also affected the role of Human resource planning. Organizations are stressing more and more on aligning the organization and its human capital in their endeavor to achieve business goals. (Zeffane & Mayo, 1994). The corporate community is increasingly appreciative of the improvements over the last several decades that Human resource planning has been instrumental in achieving the business goals and helped to establish an advantage over competitors. (Chaneta, 2014), but Human resource planninmg does not always appear to be given high priority in practice (Rothwell, 1995) Human resource planning is defined as the process of identifying present and future human resources needs of an organization.

Chaneta describes the process of HRP as " Human resource planning compares the present state of the organization with its goals for the future and Then identifies what changes it must make in its human resources to meet those goals .(2014) The process of human resource planning consists of three stages: Forecasting

Goal setting and strategic planning

Program implementation and evaluation. (Chaneta, 2014)

Retention & employee turnover

Turnover is the process in which employees leave an organization and have to be replaced. High turnover impacts organization by handicapping a business in achieving business goals creates a negative " image" when attempting to attract new employees and increases overhead costs from the administrative and training required to replacement the recently vacated employee(s). (Mathis & Jackson, 2008). High rates of employee turnover can prove very expensive and milk organization's financial resources. The costs of replacing employee positions have been escalating upward for many years.

Companies are now confronting replacement costs in excess of $10, 000 per resignation. (Steel, Griffeth & Hom, 2002) In light of these facts and trends, the history and evolution of human resource planning efforts and the various factors which might affect human resource planning was investigated. Special emphasis on subject matter of employee retention was reviewed.

Objectives of the Study

The objectives of the study were to

Review the history and progress of Human resource planning and the challenges faced by organization in conducting Human Resource Planning (HRP). Explore various factors affecting employee turnover and retention.

Methodology

An extensive search was performed in order to identify studies examining and describing human resource planning and also studies for employee retention and various factors affecting employee retention. First, keywords like human resource planning, evolution and HRP, Challenges and HRP, Employee retention policies and determinants of employee retention to search Google scholar, proquest and online databases . Secondly, a manual search of key journals in various business disciplines (e. g. Academy of Management Journal, Journal of Management Studies, Journal of Managerial Psychology, and Management Science) was performed.

Also searched were relevant books for citations.

Overall, the search produced 25 studies, but keeping in view the scope of this research paper, 7 journal articles and 2 books were included for review depending upon the relevance and the more recent studies.

Results

In this section, various key findings from the reviewed journal articles are being presented. Evolution of Human resource planning

In their study, Schuler & Jackson describes two major areas in which developments in the human resource management have taken place: strategic human resource management and international human resource management. (2005). In the last few decades, Human Resource Management in the U. S. has progressed to incorporate a greater appreciation of various related issues. Nowadays; project management has become a key activity in most modern organizations. Projects usually have a wide variety of objectives, involve numerous internal and external actors, and are conducted in various activity sectors. HRM is being renewed in organizations and gradually upholding its strategic role. (Belout & Gauvreau, 2004) Human resource planning is not a one-time exercise but rather it's an ongoing process. It involves many interrelated activities. The plan must be modified and updated as conditions require. (Chaneta, 2014 Gupta, 2010)

Factors affecting employee retention

Organizational culture

Empirical research has shown significant association of employee retention with organizational culture. This study (Sheridan, 1992) showed that Organizational culture values varied significantly among the firms. The variation in cultural values had a significant effect on the rates at which the newly hired employees voluntarily terminated employment. The relationship between the employees' job performance and their retention also varied significantly with organizational culture values. Another study evaluated the relationship between systems of High Performance Work Practices and organization's performance. Results based on a national sample of nearly

one thousand organizations indicate that these practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance. (Huselid, 1995) Discussion

In the last 25 years, the focuses and context of human resource management efforts in the U. S have changed considerably both in how it is implemented within organizations and also the study of the subject within academia. (Schuler &Jackson, 2004). These developments reflect the phenomenon that rests its foundations in 1980s. Human resource professionals, who were earlier regarded as personnel staff responsible for maintaining personal files of employees, now were looked upon as potential partners in the strategic decision making processes of the organization. Schuler &Jackson described that Human resource management is about: " Vertical integration – understanding the organization and its context Horizontal integration – creating coherent HRM systems

Demonstrating effectiveness – showing how HRM systems affect organizational Performance
Partnership – HR professionals working cooperatively with line managers as well as with non-management employees)".(2004)

Challenges to Human Resource Planning
Various studies (Chaneta, 2014; Gupta, 2010) have addressed the significant challenges and barriers which Human resource managers face, while formulating a human resource plan. A few of the major challenges are as

follows: 1. HR role in devising organizational strategies is often questioned by people with the argument that people are always available to work and if found surplus can be laid off without benefits. 2. Some critics still consider HR professional as experts in handling personnel matters and not in managing business. Thus, fear that HR plans enmeshed with organizational plans, might make the overall strategic plan faulty. 3. Strategic planning efforts have always been oriented towards financial forecasting and often exclude other information like HR forecasting. 4. A conflict may exist between short-term and long-term HR needs, which might result in addressing short term needs at the expense of long term needs. 5. A conflict may exist between quantitative and qualitative approach to HRP.

HRP is not restricted as a HR department function. Successful planning needs a coordinated effort between operational and HR departments. Organizational culture has emerged as one of the dominant factor affecting employee turnover in management studies. The study (Sheridan, 1992) demonstrated that in firms with culture emphasizing the interpersonal relationship, values of team orientation and respect for people, employees stayed 14 months longer as compared to other firms which were characterized as having a culture emphasizing the work task values of detail and stability.

Other factors identified affecting both individual employees' departures and aggregate organizational turnover have been seen as perceptions of job security, the presence of a union, compensation level, job satisfaction, organizational tenure, demographic variables such as age, gender,

education, and number of dependents, organizational commitment, whether a job meets an individual's expectations, and the expressed intention to search for another job were all predictive of employees' leaving. (Huselid, 1995) Conclusion

In researching Human Resource Planning and Retention, it was found that regardless of the organizational size and industry the HRP is geared towards the aim to have the right people, with the right skills, in the right places, at the right time. While organizations with a high employee turnover tend to focus on the planning for supply and demand of HR, the organizations with low employee turnover tend to focus more towards internal issues of HRP. Business industry and Labor markets have been passing through turbulent political, socioeconomic times and high employee turnover has resulted in escalating replacement costs associated with filling vacancies for years.

One of the most effective interventions to address these problems is the development of a fully integrated Retention policy as part of the overall human resource plan. Integrated retention policies use problem-relevant information to shape focused retention initiatives. Further research on retention can help in the policy-development process. Retention research can provide empirical information on the value of standard practices (e. g., exit interviews), render effective insights into patterns and trends in employee behavior (e. g., the relative tendencies of high and low performers), and provide information relating to the efficacy of popular retention strategies.

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