

The complex nature of human resource planning commerce essay



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This report is about the complex nature of human resource planning. Human resource planning is the process whereby a business determines the amount of staff support that they will need in order to fulfil business needs and customer demands.

It is the base upon which all the other human resource activities rest. It simply involves forecasting what staff is needed and making sure that the steps are taken to meet those needs. Human resource planning can also be described as the on-going process of systematic planning to achieve optimum use of an organisations most valuable asset which would be its human resources. It is the way in which managers ensure that they have the right number and kinds of capable people in the right places at the right times. Through human resource planning, organisations avoid sudden people shortages and surpluses.

It is concerned with identifying the organisations demand for human resources and demand for human resource and devising means to ensure that a sufficient supply of labour is available to meet that demand.

Human resource planning can be defined as the way by which you determine the manpower requirements and the way of meeting those requirements in order to carry out an integrated plan at the organisation.

According to Quinn Mills (1983) human resource planning is a decision making process combining three vital actions:

Identifying and acquiring the right number of people with the proper skills

Motivating the staff in order to achieve high performance within the organisation

Creating interactive links between business objectives and planning activities

The most popular way of describing human resource planning is “ having the Right person at the Right place at the Right time”.

Aims of human resource planning

The main aim of human resource planning is to make sure that the organisation has the right number of staff with the right skills needed in order to meet forecast requirements.

According to Reilly there are a couple of different reasons why some businesses choose to take part in some form of human resource planning. Reilly identifies three main reasons as to why businesses engage in human resource planning:

Planning for substantive reasons- The reason for this type of planning is to have a practical effect by enhancing the use of resources in the organisation or making them more flexible. It also helps the business to identify potential problems and minimises the chances of making a bad decision.

Planning due to the benefits it gives the organisation-The reason for this type of planning is due to business understanding the present human resources in order to confront the future human resources. This type of planning gives the

business a better understanding of how many employees they have at present and how many they need to take on or let go to deal with the future.

For example-The human resource planning department will analyse how many employees they have at present and they will try and forecast how many employees they will need to take on in the future. If the business is busier around the Christmas period then the human resource planning department will look at taking on more staff in order to deal with increased demands.

Planning for organisational reasons- The reason for this type of planning is that it communicates the businesses plans and helps the employees to support them and adhere to them. This type of planning is all about relating the business plans to the human resource planning department and integrating the two more efficiently.

For example-If the human resource department has plans to take on 10 new employees in 2013 due to a high workload for existing employees, it lets the existing employees know that the high workload is temporary and encourages the employees to support the business and respect the decisions that are made.

The Human Resource Planning Model

The human resource planning model is a method that the human resource department in a business can use to ensure that they have enough employees and the right ones to carry out the various functions of the business. This human resource planning model consists of three key parts,

including predicting the amount of employees that your company needs, <https://assignbuster.com/the-complex-nature-of-human-resource-planning-commerce-essay/>

checking if the supply of potential employees meets your demand and finally learning how to balance the supply and demand of employees.

The three steps are as follows:

Forecasting staffing needs

Evaluating Supply

Balancing Supply and Demand

Forecasting Staffing Needs:

There are a couple of different ways to forecast in order to predict how many employees you need to run your business and which roles these employees need to fill.

There are four main factors to consider when forecasting staffing needs:

The situation of the economy- The way in which the economy is performing is a critical factor when you're looking at human resource planning. You need to be able to distinguish whether or not your company needs to recruit more staff or whether your company is going to downsize. In these economic conditions a lot of companies are looking at their human resource planning and making the crucial decisions.

For example: If the economy is in recession and business is quiet, a company is less likely to be planning on taking on new staff. On the other hand, if the economy is booming and business is busy a company will be more likely to be recruiting more staff.

On the 1st of November 2012, McDonalds announced that they will be taking on over 700 new employees in the next 2years in Ireland. McDonald's human resource planning department are starting the recruitment process in January 2013.

On the 5th of October 2012, Cork Airport announced that they will be cutting over 32 jobs. The human resource department of Cork airport explained that the main reason for the plans to cut jobs was simply due to the decline in the economy.

The Internal finance of the business- The internal finance of a business will depend on whether or not you're going to invest in new staff. It all depends on how much money you have as a business. The human resource department of a business is usually given a yearly budget. They then look at the staff levels and plan on whether or not to invest in more staff. They also look at things at critical factors affecting staff levels such as how many employees are retiring in the coming year, is there anybody out on maternity leave etc. Internal finance is a main factor in forecasting staffing needs.

For example: If the human resource department plans to take on 15 new employees in 2012, there has to be money in the business for this to be a viable.

The demand for your product or service- Obviously the demand for when it comes to forecasting your staffing needs and requirements, the demand for your product or service is crucial. If your product or service is in high demand then you will be looking at taking on more staff. However if the demand for

your product or service is in low demand then you as a business may need to look at cutting your employee's hours or letting some employees go.

The demand for your product or service may be in high demand at certain times of the year and you may need to take on extra staff in order to meet demands.

For Example: Smyths Toys always take on extra staff around the Christmas period as this is their busiest time of the year. When the human resource planning department at Smyths Toys forecasts their staffing needs, they look at the demand for service. Therefore when they are in their busiest time of the year, they automatically forecast that they will need additional staff in order to deal with the high demand.

The Growth expectations of your business- The growth expectations of your business are another factor to consider when forecasting staff. If your business is growing rapidly then you may need to take on more staff. Forecasting the amount of staff you will need in the future will all depend on how well your business is growing.

For example: The human resource planning department of McDonalds will look at their growth expectations for the next 6months, 12months, 18months etc. They will then determine how many employees they will need in order to meet the growth rate of their business. By 2015 they hope to open 12 new stores across Ireland. The human resource planning department have already forecasted that they plan to take on 700 new employees. Therefore the growth expectations of the business are a key component on forecasting the staffing needs.

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Evaluating Supply:

This consists of analysing internally and externally. This step is all about checking the amount of staff you have currently in your organisation and checking the amount of potential staff outside of the business. The human resource planning department evaluate the internal staff in the first step when they are forecasting staffing requirements for the future. In order to evaluate the external staff the human resource planning department will look at the demographics of the staff that is available to them. This can include factors such as education and the unemployment rate of the country. When the human resource planning department are evaluating supply there are a couple of key areas they look at including:

The existing number of staff employed(broken down by occupation, skill and potential)

Potential losses the business may incur due to staff leaving(employee turnover)

Potential vacancies through internal promotion

The effect of changing work condition(recession may lead to absenteeism)

The amount of supply within the business

The amount of supply from outside of the business in the national and local labour markets

By the business evaluating all of these areas it will help them determine whether they have access to the number and types of employees that they need in order to fulfil their staffing forecasts.

For example: The human resource planning department at BMW in Germany evaluated the supply of employees internally and they have realised that over 50% of their employees would be over the age of 50 by 2020. The human resource planning department evaluated externally in order to find out how much potential employees would be available to them if they decided to take on new employees. By evaluating externally they realised that there was a shortage of qualified engineers in Germany. When evaluating externally they looked at education as a factor, they found that every year the number of engineering graduates are declining. This proves the importance of evaluating supply externally. The human resource planning department of BMW have put plans in place in order to increase the amount of students doing engineering courses. The human resource planning department have offered 18month internships for qualified engineering graduates. This is a good way on increasing the supply of employees externally.

Balancing Supply and Demand:

Balancing supply and demand is the third step in the human resource planning process. This step is concerned with how the business is going to balance the demand of employees they need with the supply of employees available. The human resource planning department look at the amount of employees that they need and the look at the amount of employees that are

available. By the human resource planning department doing this, it helps them to make sure that they avoid an employee shortage and surplus within the business. If the human resource planning department realise that there is a shortage of employees in the business, they must determine what type of recruiting efforts that they will participate in to attract the employees they need in order to fill the needs within the business. In order for the human resource planning department to balance the supply and demand they have to determine the full-time and part-time needs. The human resource planning department will look at the businesses supply of full-time workers and the demand for full-time work out in the workforce. They look at the businesses needs for part-time workers and look and see if there are part-time workers available in labour markets. If the human resource planning department realise that the business have a surplus amount of employees they may consider employee layoffs, retirements and situations where some employees may need to be demoted. This step in the human resource planning process is all about determining the amount of employees that they need and how many employees are out their willing to work for them. The crucial part of this step is making sure that they balance.

For Example: The human resource planning department of Dunnes Stores main aim in the final step of the human resource planning process is to balance the supply and demand of the employees available to the business. The human resource planning department at Dunnes Stores looks at how many employees they need and how many employees are in the workforce available to do the work with the necessary skills. The human resource planning department of Dunnes Stores must make sure that they don't end

up with a shortage of employees or a surplus of employees. They need to get the balance just right in order to complete the human resource planning process correctly.

Importance of Human Resource Planning

Human resource planning is one of the most important resources in management and needs to be used efficiently. Success, stability and growth of a business depend on its ability in acquiring, utilising and developing the human resources for the benefit of a business.

In recent years, Human resource planning has become increasingly important due to the high level of competition that today's businesses face. Without effective human resource planning, a company may face the danger of being unable to meet targets because employees with the necessary skills are unavailable.

In my own opinion, I think that human resource planning is extremely important for every type of business. The main reason I think human resource planning is important is because by a business planning their human resources they can analyse their staffing needs for the future and identify any vacancies which may arise, they can save money through limited recruitment and selection and it helps motivate employees.

Future staffing needs-The business is able to find out how much staff they will need in the future. It helps the business to identify the number of jobs which will become vacant in the near future. The human resource planning process is conducted for the entire business; therefore staffing requirements

for every department can be identified. This allows the human resource department to identify any vacancies.

For example: The human resource planning department of Dunnes Stores looks at the entire organisations staffing needs and identifies any vacancies that may arise in the future. Therefore the human resource department can identify if anyone is retiring or going on maternity leave. If there is somebody going on maternity leave in the finance department, the human resource planning department can plan to take on a temporary replacement. On the other hand if there is an employee in the marketing department retiring, then they will look at the marketing department and figure out if they need to take on a permanent replacement. Human resource planning is important as it highlights any vacancies in an organisation and prevents any sudden staffing shortages or surpluses.

Cost savings-The recruitment and selection process can be very costly. Many businesses spend a large amount of money on this. Therefore by using the human resource planning process a company will save money as they aren't wasting money taking on staff that is not necessary. Recruitment and selection will only be carried out if it is extremely necessary. The human resource planning process helps to identify whether recruitment and selection are necessary or not.

For example: By Dunnes Stores planning their human resources effectively and efficiently they will save money. They will know exactly how many staff that they have at present. They will be able to determine if they under staffed or over staffed and whether they need to spend money on the

recruitment and selection process. Human resource planning is important to Dunes Stores as saves them money by only highlighting when it is absolutely necessary to recruit new staff. Therefore they aren't spending money on taking on new staff if they don't need them.

Motivation-Human resource planning makes performance appraisal more meaningful. Employees receive feedback in the performance appraisal and they are informed of their chances of future progression in the company. As a result of this, the employees will be more motivated to work harder and try harder to impress. This shows the importance of human resource planning.

For example: By Dunnes Stores engaging in human resource planning they will know exactly what promotions are available. So if the Sales Manager is going on maternity leave, then when the assistant sales manager is having the performance appraisal, she may be told if you improve on certain skill, you may be in line for promotion and may be considered when the sales manager goes on maternity leave. This will motivate the assistant sales manager to improve on certain skills and work harder in order to prove that she would be capable for the sales manager position. Human resource planning shows its importance in the performance appraisal as the business knows exactly when there is promotions available and this in turn motivates employees to work harder and prove that they are worthy of a promotion.

According to Farnham human resource planning is extremely important as it encourages employers to establish clear and explicit links between their business plans and the human resource plans in order to integrate them more effectively and efficiently. He feels that by a business engaging in

human resource planning it can benefit them as the business will have more control over staffing costs and on the number of staff employed. It ensures that a business is not over-staffed or under-staffed. He also feels that through human resource planning, employers can make more informed decisions about the skills and attitude mix in the business. Farnham states that human resource planning also provides a profile of the current staff in the business in regards to age, sex, gender, disability etc. By having this information readily available to them, a business is in a better position to make informed decisions and make sure that they are an equal opportunity organisation.

Advantages of Human Resource Planning

Meeting Staffing Requirements

One of the advantages of human resource planning is that it improves the utilisation of human resources by helping the human resource planning managers to forecast the staffing needs in terms of both numbers as well as the types of skills that the business requires. By the human resource planning managers identifying the businesses short-term and long-term goals it allows them to predict their human resource requirements. In order for the human resource planning managers predict the staffing requirements successfully, they need to establish what skills, abilities and knowledge is required in order to meet the businesses goals. By human resource planning being carried out in a business, it helps the human resources planning managers to identify any potential replacements that they might need in order to fulfil the staffing requirements. Every year many employees either retire or leave companies that they are employed in. By carrying out human <https://assignbuster.com/the-complex-nature-of-human-resource-planning-commerce-essay/>

resource planning it helps the human resource department find replacements for these employees. These replacements may be either from inside the business or outside of the business. Therefore by carrying out human resource planning in a business it gives the advantage of meeting staffing needs. This is one of the main advantages of carrying out human resource planning in a business.

Employee Development

One of the main advantages of human resource planning is that it improves employee development. The human resource planning department identify employees within the business that could potentially move into a management position within the company. The human resource planning department can then implement certain actions that will help the potential employees develop their management skills. Human resource planning encourages the business to conduct performance appraisals with their employees. By conducting performance appraisals on their employees, it helps the human resource planning department to see what particular skills an employee is lacking and what type of training opportunities the employee should receive. Therefore human resource planning encourages and improves employee development.

Continuous Evaluation

By human resource planning managers taking part in the human resource planning process, it helps them to measure and assess outcomes that make it possible to monitor the progress of the business and the employees. The human resource planning department make the human resource plan and <https://assignbuster.com/the-complex-nature-of-human-resource-planning-commerce-essay/>

they will usually include various millstones in order to gauge success. The future may be different than expected so the human resource planning department must be flexible enough for the business to manage the change. By a business taking part in human resource planning, it benefits them as they know exactly what is happening within the company at present, how many employees they have at present, how well they are doing currently and how the employees are performing at present. By the human resource planning department carrying out continuous evaluation they are able to meet new technological changes. Human resource planning helps to be effective in the use of technological progress. In order for the human resource planning department to meet the challenge of new technology, they make sure that existing employees are retrained and when they are recruiting new employees, they have the up-to-date technological knowledge.

Proactive

Human resource planning takes a proactive approach in order to meet the company's needs which are obviously an advantage for the company. By the human resource planning department taking a proactive approach it enables them to anticipate future needs, evaluate the company's current workforce and helps them determine what actions that they should prepare to take for the future. The advantage of having a proactive approach in human resource planning is that the businesses consider all aspects and the potential implications of different actions before acting. Businesses without human resource planning react to the employees needs without allowing themselves enough time to think and consider all actions. Businesses with human
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resource planning avoid making rushed and rash decisions. Therefore an advantage of human resource planning would be proactive businesses.

Environmental Factors

Through effective human resource planning, the human resource planning department can help the business to respond to environmental factors such as legislation, changing demographics, globalisation and technology.

Through environmental scanning, the human resource planning department can anticipate different changes that will affect the businesses workforce and the businesses plan. An advantage of human resource planning is being able to anticipate the different environmental factors which will affect the business and its employees. The human resource planning department can predict and plan in anticipation for any changes in the environmental factors that may affect their business or their staffing requirements. The human resource planning department can prepare in advance for factors such as an aging population and an older workforce. By the human resource planning department, thinking ahead and taking the environmental factors into account, they help the business to avoid possible skill shortages in the future. By the human resource planning department failing to prepare for the environmental factors it can have a negative impact on the business.

Disadvantages of Human Resource Planning

Lack of Support

During the last 25years, human resource planning has become a strategic partner in most business decisions. Before this it was known as personnel administration, a department responsible for processing payroll, handing out <https://assignbuster.com/the-complex-nature-of-human-resource-planning-commerce-essay/>

job application forms and enrolling employees in the business. One disadvantage of human resource planning is that without the support of management and the employees; it will not work or be effective. In order for human resource planning to be effective, the managers and the employees must support the human resource plans one hundred per cent. The management don't always see human resource planning as an essential element in the businesses long term and strategic goals. The employees of a business don't always support human resource planning due to the fact that they don't fully understand what their role is in the business.

Culture Shift

One major disadvantage of human resource planning relates to the current cultural thinking of the employees in a business. Many employees work in the same style they were originally trained in. These types of " old-school" employees have learned to perform their work efficiently and they take great pride in their ability to perform well in the business. When a business decides to take a new approach by implementing human resource planning into the business, these types of employees feel threatened. The employee's current skills may not be able to be transferred to the businesses new way of doing things; therefore some of the employees will need to learn the new system.

Larger Initial Investment

A business must invest time and money into their human resource planning to become fully functional this is a disadvantage for businesses that don't have excess cash to invest into their human resource department. A

business would also have to invest money into training their employees into <https://assignbuster.com/the-complex-nature-of-human-resource-planning-commerce-essay/>

understanding human resource planning. The employees would need to be thought how to research alternative approaches to planning, how to evaluate which approach fits the business the best and finally to implement that chosen process. The human resource planning manager would need to be able to determine how the new process fits in with their current employees and they would then have to assign new responsibilities to each employee. Once the employees are assigned their new responsibility, they will need additional training in order to help get them use to it. They will each need to learn what their new role in the business is each employee will need. This would be one disadvantage to human resource planning; the initial capital invested.

The Strategic Human Resource Planning Process

The strategic human resource planning process consists of four steps:

Assessing the current human resource capacity

Forecasting human resource requirements

Gap analysis

Developing human resource strategies to support business strategies

Assessing the current human resource capacity

Based on the businesses strategic plan, the first step in the strategic planning process is to analyse the current human resource capacity of the business. The knowledge, skills and abilities of the current staff in the business need to be identified. A way in which this can be done is by

developing a skills inventory for each employee in the business. The skills inventory should go beyond the skills needed for the particular position. The business should list all the skills each employee has demonstrated. The education levels or additional training and development courses that they have participated in should also be included.

Forecasting Human Resource Requirements

The second step is to forecast human resource needs for the future, based on the strategic goals of the business. Realistic forecasting of human resources involves predicting both demand and supply. In order for the business to forecast the human resource requirements, they need to be able to answer the following questions:

How many employees is required in order to achieve the strategic goals of the business?

What jobs will need to be filled?

What skill sets will people need?

When forecasting demands for human resources, the business must also identify the challenges that they will face in meeting their staffing needs based on the external environment. In order for the business to determine external impacts, they should consider the following factors:

How does the current economy affect the businesses ability to attract new employees?

What changes are occurring in the Irish labour market?

Gap Analysis

This step is concerned about determining the gap between where the business wants to be in the future and where the business is currently. The gap analysis involves identifying the number of staff and the skills and abilities required in the future in comparison to the current situation the company are in. The business should ask themselves the following questions:

What new jobs will the business need?

What new skills will the business require?

Do the businesses current employees have the right skills?

Does the business have enough managers?

Developing Human resource strategies to support business strategies

There are five ways in which a business can meet their needs in the future:

Restructuring-This involves reducing staff by termination, reorganising work units to be more efficient

Training and development-This involves providing staff with training to take on new roles, providing current staff with development opportunities to prepare them for future jobs in the business.

Recruitment-This involves recruiting new staff with the skill and abilities that the business will need in the future.

Outsourcing-This involves using external individuals or businesses to complete some tasks

Collaboration-This involves allowing employees to visit other businesses to gain skills and insight. It involves working together with other businesses to prepare future leaders by sharing in the development of promising employees.

Case Study

BMW's Human Resource Planning Practices

In 2007, Human resource planning managers at the BMW manufacturing plant in Germany came up with the “ Today for Tomorrow” project. Human resource managers realised that with Germany's ageing population, by 2020 roughly half of BMW's 18000 workers in Germany will be over the age of 50. By 2020, more than a fifth of the country will be over 65. Faced with a probable decline in productivity, human resource manager's reacted in an unusual and innovative way.

For BMW, it is a matter of necessity, like many industries in Western countries; the company faces the challenge of trying to remain globally competitive with an experienced but ageing workforce. The human resource planning manager believed that their older workers have more patience and skills than the younger workers.

The human resource planning manager in Germany believes that they are grappling with an ageing workforce. With the country also facing a shortage of qualified engineers, the human resource planning department have

decided that its best to keep good workers on the job as long as possible and adapting the manufacturing factories to their needs.

The human resource planning departmen