

Assignment

Human Resource Management
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A Detail Study of Human Resource Planning on Internet Based Information

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Executive Summary

Human Resource Planning is one of the basic content of Human Resource Management study which is very important to determine the HR success in the organization. On this important topic this report has been developed. The whole report has done for the course HRM301, a course studied in East West University, Dhaka. The report information is sourced from internet. Here in the reference section it shows only 30 references or the web links but in reality many other web sites has been searched and looked for information which is even more than double of the given links. This report covers the various issues of HR Planning, many articles published, the definition, succession planning, HR Policy, the benefits of having it, tips of HRP, Health Human Resources Planning, The Drivers for Human Resources Planning, Evaluating Long-Term Programs, Program Design and Implementation, Forecasting Demand and Supply, Evaluating Intermediate-Term Programs, Intermediate-Term Programs to Help Employees Adjust to Changing Organizations, Forecasting Intermediate-Term' Demand & Supply, Human Resources Diagnostic etc. several issues which will give the idea on the topic as a whole. The key words are: HR Planning, Human Resource Planning.

Human Resource Planning

Human Resource Planning: What is it?

Human resource planning (HRP) is a way of assisting the best deployment of human resources and can help organisations to:

- assess future recruitment needs
- anticipate and possibly avoid redundancies
- formulate training programmes
- develop a promotion and career development policy including succession planning
- keep staff costs to a minimum while permitting salaries to be competitive
- assess future premises requirements.

The development of strategies for matching the size and skills of the workforce to organizational needs. Human resource planning assists organizations to recruit, retain, and optimize the deployment of the personnel needed to meet business objectives and to respond to changes in the external

environment. The process involves carrying out a skills analysis of the existing workforce, carrying out manpower forecasting, and taking action to ensure that supply meets demand. This may include the development of training and retraining strategies.

A process which anticipates and maps out the consequences of business strategy on an organization's human resources. This is reflected in planning of skill and competence needs as well as total headcounts.

For resourcing strategies to be implemented they must be translated into practical action. The strategic process can be organized logically - for example, following the decision sequence shown on page 351 of Human Resource Management in a Business Context. For these decisions to be taken, information must be obtained, consequences gauged, political soundings taken and preferences assessed.

It is clear that many of these decisions are fundamental to an organization. If the implications are major, strategic decisions are taken at the centre of the business. The role of the human resource function is two-fold:

1. To participate in the decision process by providing information and opinion on each option, including:

- * redundancy or recruitment costs
- * consequences on morale
- * redeployment/outplacement opportunities
- * availability of skilled staff within the organization
- * availability of suitable people in the job market
- * time constraints
- * development/training needs/schedules
- * management requirements.

This forms part of the information collated from the organization as a whole

2. To support line managers dealing with the people consequences of implementing the decision. Information already gathered provides the basis for a human resource plan.

Human resources are the people that work for an organisation, and Human Resource Management is concerned with how these people are managed. However, the term Human Resource Management (HRM) has come to mean more than this because people are different from the other resources that work for an organisation. People have thoughts and feelings, aspirations and needs. The term HRM has thus come to refer to an approach, which takes into account both:

1.the needs of the organisation

2.the needs of its people.

Different individuals have their own needs and aspirations. HRM therefore involves finding out about the needs and aspirations of individual employees, for example through the appraisal process and then creating the opportunities within the organisation (e.g. through job enlargement) and outside the organisation (e.g. through taking up educational opportunities at local colleges/universities) for employees to improve themselves. HRM therefore relates to every aspect of the way in which the organisation interacts with its people, e.g. by providing training and development opportunities, appraisal to find out about individual needs, training and development needs analysis, etc.

There are many ways to define HR planning, or explain what it is, but the following definitions, taken from the Government of Canada human resources site, is a good, useful working definition:

Rigorous HR planning links people management to the organization's mission, vision, goals and objectives, as well as its strategic plan and budgetary resources. A key goal of HR planning is to get the right number of people with the right skills, experience and competencies in the right jobs at the right time at the right cost.

Note the emphasis on linkage to strategic planning and business planning in the first sentence, and the emphasis on the arrangement and alignment of staff and employees in the last sentence.

Here's another definition, perhaps a bit simpler:

The process by which management ensures that it has the right personnel, who are capable of completing those tasks that help the organization reach its objectives.

On the other way it can be defined like that.

In an early treatment of the topic, Vetter (1967) defined human resource planning as the process by which management determines how the organization should move from its current manpower position to its desired position. Through planning, management strives to have the right number and the right kinds of people, at the right places, at the right time, doing things which result in both the organization and the individual receiving maximum long-run benefits. (p. 15) Contemporary human resource planning occurs within the broad context of organizational and strategic business planning. It involves forecasting the organization's future human resource needs and planning for how those needs will be met. It includes establishing objectives and then developing and implementing programs (staffing, appraising, compensating, and training) to ensure that people are available with the appropriate characteristics and skills when and where the organization needs them. It may also involve developing and implementing programs to improve employee performance or to increase employee satisfaction and involvement in order to boost organizational productivity, quality, or innovation (Mills, 1985b). Finally, human resource planning includes gathering data that can be used to evaluate the effectiveness of ongoing programs and inform planners when revisions in their forecasts and programs are needed. Because a major objective of planning is facilitating an organization's effectiveness, it must be integrated with the organization's short-term and longer term business objectives and plans.' Increasingly this is being done in leading organizations, although in the past business needs usually defined personnel needs and human resource planning, which meant that planning became a reactive process. The reactive nature of the process went hand-in-hand with a short-term orientation. Now, major changes in business, economic, and social environments are creating uncertainties that are forcing organizations to

integrate business planning with human resource planning and to adopt a longer term perspective. For example, according to Kathryn Connors, vice president of human resources at Liz Claiborne, Human resources is part of the strategic (business) planning process. It's part of policy development, line extension planning and the merger and acquisition processes. Little is done in the company that doesn't involve us in the planning, policy or finalization stages of any deal. (cited in Lawrence, 1989, p. 70) John O'Brien, vice president of human resources at Digital Equipment Corporation, describes an integrated linkage between business and human resource plans as one by which human resource and line managers work jointly to develop business plans and determine human resource needs, analyze the work force profile in terms of future business strategies, review emerging human resource issues, and develop programs to address the issues and support the business plans. According to O'Brien, such joint efforts occur when human resource planners convince corporate business planners that "human resources represent a major competitive advantage" ("Planning with People," 1984, p. 7) that can increase profits when managed carefully. This article describes some of the activities that industrial/organizational (I/O) psychologists are engaged in as they seek to improve the competitiveness of organizations through effective human resource planning.

HR Planning and Policy

PricewaterhouseCoopers Human Resource Services, support you in the determination of your place in terms of efficiency and productivity, to plan your work force, and to formulate an action plan that increases working performance in accordance with your targets.

* Strategic Analysis – This approach highlights the emergence of the priority of human resources and administration in today's world and for the

near future in light of interviews with executives. It also forms an employee vision that will enable executives who work with human resource politics and strategies to achieve these priorities.

- * Special HR Benchmark Report – A special benchmark report that evaluates your existing HR applications by comparing you with global and Turkish comparison groups on the basis of the HR databank of Global HR Research in 2002/3, which includes 1056 companies in 47 countries including Turkey.

- * Job Description – A job description is a document aimed toward the firms' strategy and goals as a whole and sets a standard for which all employees must perform their role in the company and show responsibility. As PricewaterhouseCoopers HR service we form job descriptions or update the expected job principles which relate to all HR processes, with the awareness that those are the indispensable parts of all the HR processes.

- * Competency Model Design – A competency is a skill and capability behavior that form necessary attributes for a superior personal performance, successful job contribution, and organizational success. These days many companies use competency modeling for determining the improvement needs of employees, hiring and career planning. During competency modeling, a basic, company personalized, managerial and functional model will be offered. All levels in the model will be strongly supported with the necessary knowledge.

Practical benefits of HRP

When it concerns human resources, there are the more specific criticisms that it is over-quantitative and neglects the qualitative aspects of contribution. The issue has become not how many people should be employed, but ensuring

that all members of staff are making an effective contribution. And for the future, the questions are what are the skills that will be required, and how will they be acquired.

There are others, though, that still regard the quantitative planning of resources as important. They do not see its value in trying to predict events, be they wars or takeovers. Rather, they believe there is a benefit from using planning to challenge assumptions about the future, to stimulate thinking. For some there is, moreover, an implicit or explicit wish to get better integration of decision making and resourcing across the whole organisation, or greater influence by the centre over devolved operating units.

Cynics would say this is all very well, but the assertion of corporate control has been tried and rejected. And is it not the talk of the process benefits to be derived self indulgent nonsense? Can we really afford this kind of intellectual dilettantism? Whether these criticisms are fair or not, supporters of human resource planning point to its practical benefits in optimising the use of resources and identifying ways of making them more flexible. For some organisations, the need to acquire and grow skills which take time to develop is paramount. If they fail to identify the business demand, both numerically and in the skills required, and secure the appropriate supply, then the capacity of the organisation to fulfil its function will be endangered.

Why human resource planning?

Human Resource Planning: an Introduction was written to draw these issues to the attention of HR or line managers. We address such questions as:

- * what is human resource planning?
- * how do organisations undertake this sort of exercise?
- * what specific uses does it have?

In dealing with the last point we need to be able to say to hard pressed managers: why spend time on this activity rather than the other issues bulging your in tray? The report tries to meet this need by illustrating how human resource planning techniques can be applied to four key problems. It then concludes by considering the circumstances in which human resourcing can be used.

1. Determining the numbers to be employed at a new location

If organisations overdo the size of their workforce it will carry surplus or underutilised staff. Alternatively, if the opposite misjudgement is made, staff may be overstretched, making it hard or impossible to meet production or service deadlines at the quality level expected. So the questions we ask are:

- * How can output be improved through understanding the interrelation between productivity, work organisation and technological development? What does this mean for staff numbers?

- * What techniques can be used to establish workforce requirements?

- * Have more flexible work arrangements been considered?

- * How are the staff you need to be acquired?

The principles can be applied to any exercise to define workforce requirements, whether it be a business start-up, a relocation, or the opening of new factory or office.

2. Retaining your highly skilled staff

Issues about retention may not have been to the fore in recent years, but all it needs is for organisations to lose key staff to realise that an understanding of the pattern of resignation is needed. Thus organisations should:

- * monitor the extent of resignation

- * discover the reasons for it

- * establish what it is costing the organisation
- * compare loss rates with other similar organisations.

Without this understanding, management may be unaware of how many good quality staff are being lost. This will cost the organisation directly through the bill for separation, recruitment and induction, but also through a loss of long-term capability.

Having understood the nature and extent of resignation steps can be taken to rectify the situation. These may be relatively cheap and simple solutions once the reasons for the departure of employees have been identified. But it will depend on whether the problem is peculiar to your own organisation, and whether it is concentrated in particular groups (eg by age, gender, grade or skill).

3. Managing an effective downsizing programme

This is an all too common issue for managers. How is the workforce to be cut painlessly, while at the same time protecting the long-term interests of the organisation? A question made all the harder by the time pressures management is under, both because of business necessities and employee anxieties. HRP helps by considering:

- * the sort of workforce envisaged at the end of the exercise
- * the pros and cons of the different routes to get there
- * how the nature and extent of wastage will change during the run-down
- * the utility of retraining, redeployment and transfers
- * what the appropriate recruitment levels might be.

Such an analysis can be presented to senior managers so that the cost benefit of various methods of reduction can be assessed, and the time taken to meet targets established.

If instead the CEO announces on day one that there will be no compulsory redundancies and voluntary severance is open to all staff, the danger is that an unbalanced workforce will result, reflecting the take-up of the severance offer. It is often difficult and expensive to replace lost quality and experience.

4. Where will the next generation of managers come from?

Many senior managers are troubled by this issue. They have seen traditional career paths disappear. They have had to bring in senior staff from elsewhere. But they recognise that while this may have dealt with a short-term skills shortage, it has not solved the longer term question of managerial supply: what sort, how many, and where will they come from? To address these questions you need to understand:

- * the present career system (including patterns of promotion and movement, of recruitment and wastage)
- * the characteristics of those who currently occupy senior positions
- * the organisation's future supply of talent.

This then can be compared with future requirements, in number and type. These will of course be affected by internal structural changes and external business or political changes. Comparing your current supply to this revised demand will show surpluses and shortages which will allow you to take corrective action such as:

- * recruiting to meet a shortage of those with senior management potential
- * allowing faster promotion to fill immediate gaps
- * developing cross functional transfers for high fliers
- * hiring on fixed-term contracts to meet short-term skills/experience deficits
- * reducing staff numbers to remove blockages or forthcoming surpluses.

Thus appropriate recruitment, deployment and severance policies can be pursued to meet business needs. Otherwise processes are likely to be haphazard and inconsistent. The wrong sort of staff are engaged at the wrong time on the wrong contract. It is expensive and embarrassing to put such matters right.

How can HRP be applied?

The report details the sort of approach companies might wish to take. Most organisations are likely to want HRP systems:

- * which are responsive to change
- * where assumptions can easily be modified
- * that recognise organisational fluidity around skills
- * that allow flexibility in supply to be included
- * that are simple to understand and use
- * which are not too time demanding.

To operate such systems organisations need:

- * appropriate demand models
- * good monitoring and corrective action processes
- * comprehensive data about current employees and the external labour market
- * an understanding how resourcing works in the organisation.

If HRP techniques are ignored, decisions will still be taken, but without the benefit of understanding their implications. Graduate recruitment numbers will be set in ignorance of demand, or management succession problems will develop unnoticed. As George Bernard Shaw said: 'to be in hell is to drift; to

be in heaven is to steer'. It is surely better if decision makers follow this maxim in the way they make and execute resourcing plans.

What does HRP involve?

HRP can be divided into three main stages:

- forecasting labour requirements by examining:
 - future plans for marketing, production, finance and reorganisation
 - changes in working practices
 - changes in productivity
 - the extent of temporary and sub-contract work
 - seasonal variations.
- assessing labour supply by:
 - analysing personnel records
 - measuring current labour turnover and predicting future turnover
 - examining external factors such as the economy, unemployment population changes, competition from other firms in the area and the numbers of school and college leavers available.
- matching the available supply against the forecast demand by:
 - planned recruitment, selection, promotion and staff development.

How far in advance should labour be planned?

The period will vary according to the size and type of organisation. It may be necessary to operate more than one plan; for example:

- a five-year strategic plan
- a three-year operating plan
- a six-monthly detailed plan

HRP is not an exact science and plans will need updating in the light of changed circumstances.

People as numbers

The manpower planning approach which addresses questions such as:

- * How many staff do we have/need?
- * How are they distributed?
- * What is the age profile?
- * How many will leave in each of the next five years?
- * How many will be required in one, five, ten years?

Human Resource Information Systems are invaluable in answering these questions

Forecasting methods

Human resource planners have a choice of techniques open to them, including: extrapolation (of past trends); projected production/sales; employee analysis; scenario building.

Employee turnover

Turnover covers the whole input-output process from recruitment to dismissal or retirement and takes the consequences of promotion and transfer into account.

'Soft' planning

HRM implies that planning has to go beyond the 'numbers game' into the softer areas of employee attitudes, behaviour and commitment. These aspects are critical to HR development, performance assessment and the management of change.

Is strategic human resource planning the same as human resource planning?

Technically, it's possible to do short term human resource planning that is a bit different than strategic human resource planning, in the same sense one can plan tactically or strategically. However, in basic terms, planning within human resources should be done strategically, since longer term thinking is required to effectively manage human resources over time.

If you consider the complexity of any human resource planning process, it seems obvious that the process needs to be strategic in nature. Unfortunately, many companies do not allocate enough time or resources to developing long term strategic HR plans.

So, the short answer, is that they should be the same. All HR planning should be strategic. In practice, many companies plan their human resources in a shorter term, or bandaid type fashion that involves reacting to short term forces, rather than being proactive long term.

What is workforce analysis?

You can't plan in human resources if you don't have the information on which to base your actions. Workforce analysis involves identifying current and anticipated future supply of labor and skills, identifying what you need and will need in the future in terms of labor, skills and competencies (demand analysis), and then identifying the gaps between the current and future supply and current and future demands (a gap analysis). Then you action plan around how to reduce the gaps.

The Government of Saskatchewan has produced a nice guide that explains these processes in more detail, and that can be accessed here. Here's a brief summary of these processes:

Supply Analysis

- Internal supply
 - Current workforce demographics
 - Workforce trends – eligibility for retirement, separation rate, etc.
- External supply

Demand Analysis

- Critical occupations and competencies required to meet projected needs
- Anticipated changes of programs and services (volume, delivery channel, location and duration)
- Separation/turnover rates
- Vacancy rates

Gap Analysis

- Compare supply with demand analysis to determine future shortages and excess in the number of employees needed, types of occupations, and competencies

How is human resource planning linked to overall strategic planning?

Particularly for those working in HR departments, it's easy to forget that HR planning (and HR functions) do not exist as ends in themselves, but exist to serve the rest of the organization in achieving the business goals of the organization. Often HR functions and human resource planning get accidentally de-linked from business goals.

Since human resources functions and strategies are a means to achieve corporate ends, they need to be tied to, and driven by the corporate role, mission, vision and strategic goals, or else they simply end up as processes that add overhead, but don't increase return.

The solution is obvious. Human resource planning needs to reference the details of the overall strategic plan of the organization. In effect, it serves the strategic plan.

Suggestions: Some ways of making human resource planning more effective

Human resource planning can be such a "big" endeavor, with planning for all kinds of things, like quality staff retention, layoffs, training and development, compensation, etc, that it's hard to provide hints and tips in anything less than a book sized manual. However, if we take a "view from the top" perspective, there are some things that apply to most human resources planning functions, and are important in making the process effective, or even to make it part of creating a competitive advantage in the marketplace.

First, human resource planning needs to be linked to the larger business planning or strategic planning process. HR planning is NOT an end to itself,

and neither is HR management an end in itself. The function is meant to support and enable the company to attain its business goals, so as such it needs to be linked to and driven by those business or strategic goals.

This is called **vertical integration**.

Second, and related, it's important that when HR planning is lead by the HR department, it must be remembered that the whole process is to serve the stakeholders and "customers" of the human resources department. This means that the planning process **MUST** actively involve those stakeholders and customers -- managers, executives, even line employees.

Third, HR planning can't be effective without an understanding of the company or organization, its managers and employees, its mission and issues, etc, and the environment in which it works. The Public Service Human Resources Agency of Canada puts it this way"

Good HR planning entails understanding the demographics-you know the numbers!

- Data
- Profiles
- Projections

Fourth, as with any planning endeavor, the outcomes of the implementation of an HR plan should be measurable and assessible. With many personnel functions there are good, already available metrics (such as employee turnover or "churn", frequency of grievance, etc), but it's also good to try to assess the effects of the implementation of an HR plan on the achievement of the organization's business goals.

What human resource functions need to be planned

Human resource planning refers to the planning of human resource functions, or in other words, planning how human resource management will be executed. The Government of Canada suggests that HR management includes the following:

- recruiting
- selecting
- hiring
- orienting
- training and retraining
- motivating
- coaching
- mentoring
- counselling
- recognizing achievements
- empowering
- communicating
- evaluating
- promoting
- laying off
- dismissing

So, in effect HR planning refers to the development of plans in these areas or in similar areas. You may want to develop your own list specific to your organization -- a list that reflects the functions that HR does in your company.

Is human resource planning only relevant to large companies or should small businesses do HR Planning too?

Many people associate human resource planning with what very large companies do -- IBM, or Ford. That's because, almost by necessity, large companies need to have a much more formal and comprehensive approach to HR planning because of their size and the complexity of their businesses.

That said, even a business owner with a very few employees need to think (that is, plan) about various personnel and human resources issues. Many small business owners do this without really thinking about it. For example, a small business owner needs to think and plan about what benefits to offer, how to manage growth of staff, how to plan how many staff are needed, how to evaluate employee performance, and so on.

So, even if you have one or two employees, it's useful to "plan like the big boys" regarding human resource and personnel issues. The methods you use may be simpler but you still need to do it, so you are prepared.

A process to use for human resource planning

As with strategic planning, there is no one way to undertake human resource planning. However, here's a model which relies on gap analysis, and attempts to link human resource planning to overall business planning or strategic planning.

Workforce Analysis: A key component of HR planning is understanding your workforce and planning for projected shortages and surpluses in specific occupations and skill sets.

Internal Scan: Identify factors internal to the organization that may affect HR capacity to meet organizational goals.

External Scan: Determine the most important environmental factors expected to affect workforce capacity, given known operational and HR priorities and emerging issues.

Gap Analysis: Based on an analysis of the environmental scan and operational business goals, what are the organization's current and future HR needs?

Priority Setting and Work Plan: Based on the organization's priorities, environmental scan, and HR performance related data: 1) what are the major human resources priorities; and 2) what strategies will achieve the desired outcome?

Monitoring, Evaluating, Reporting: Monitoring, evaluating, and reporting (internally and publicly) performance results advances our capacity to measure performance, set targets, and, most importantly, to integrate results information into decision making processes and determine future priorities.

When doing an internal scan for purposes of human resource planning what questions should I address?

When evaluating your current human resources capabilities for the purposes of human resources planning, what kinds of questions and issues need to be addressed? Here's a list adapted from some material from the Government of Saskatchewan.

Are there any key forces affecting the organization's operations (collective agreements, staffing issues, cultural issues, work/life balance, demographics, technology requirements, budget issues, expectation of clients)?

- What knowledge, skills, abilities and capabilities does the organization have?
- What is the company's current internal environment? What elements support the company's strategic direction? What elements deter the organization from reaching its goals?
- How has the organization changed its organizational structure? How is it likely to change in the future?
- How has the organization changed with respect to the type and amount of work it does and how is it likely to change in the future?
- How has the organization changed regarding the use of technology and how will it change in the future?
- How has the company changed with respect to the way people are recruited?
- What is the public's (or customers') perceptions of the quality of the organization's products, programs, and/or services? What is being done well? What can be done better?
- Are current programs, processes or services contributing to the achievement of specific organizational goals?

You may, of course, expand this list to suit your own HR planning needs.

When doing an external scan of the environment for purposes of human resources planning (HR planning), what things should we look at?

In order to do human resource planning, you need to have a sense of both the current external environment, and anticipate things that may happen in the

future in the labor market place. You do this via an external scan or environmental scan that can address the following issues and questions (adapted from Government of Saskatchewan HR planning guidelines).

What is the current external environment? What elements of the current environment are relevant to the company? Which are likely to inhibit the company from reaching its goals?

- What are the company's specific issues and implications of these issues? What key forces in this environment need to be addressed and which ones are less critical?
- What is the impact of local trends on the company (demographic, economic, political, intergovernmental, cultural, technology, etc.)?
- Are there comparable operations that provide a similar service? How might that change? How would that affect the company?
- Where does the work of the company come from? How might that change and how would it affect the organization?
- How might the external environment differ in the future? What forces at work might change the external environment? What implications will this have for the organization?
- What kinds of trends or forces affect similar work in other jurisdictions?
- What kinds of trends or forces affect the company's partners/stakeholders and customers?

What Is HRMS (Human Resource Management System) and what is its relationship to HR planning?

Human resource planning involves the collection and use of personnel data, so that it can be used as input into the strategic HR function. Poor data coming in means poor conclusions. The problem is that there are huge amounts of data one can use in the process.

An HRMS, or Human Resources Management System is a computerized system that accomplishes two very important purposes. First, it allows the keeping of personnel data in a form that can be easily accessed and analysed. In that respect it functions as a means of collecting and organizing data about one's staff that can be used as input into the HR planning function.

Second, it allows to the use of that data to fulfil the various functions usually associated with a human resources department. The human resources management software typically will help administer and record personnel functions through the use of various software modules. A major strength of HRMS is that it is comprehensive and can handle information and HR processes for almost every possible organizational function, and that it's integrated and accessible through a common computer interface. Integration allows exceedingly sophisticated data management and reporting.

* For example, a typical HRMS will include many or all of the following modules:

- * Payroll module
- * Recruitment, selection and applicant database module
- * Benefits administration module
- * Training and staff development module
- * Performance Management, appraisal and performance planning

What is the best HRMS (Human Resource Management System)

To even begin to answer this question, we would have to play 20 questions. First, we first need to establish the foundation and the ground rules: what do you want to do with the HRMS? What computer and technical platform [DBMS, telecom, etc.] must it run on? Is payroll to be part of your HRMS? How sophisticated are your end users? How is your firm organized? 'Best' in what way? Cheap, fast, feature rich, scalable ... and so on. Each answer then leads to more questions. If properly asked (and subsequently answered), you

can address the original query and perhaps find an answer to : ' What is the best HRMS?

(The above Q&A on HRMS was contributed by Vince R Ceriello, SPHR, of the VRC CONSULTING GROUP. His website can be accessed at www.VRCconsulting.com)

What is Succession Planning?

Succession planning is the process by which companies and businesses ensure that there is an orderly and planned transfer of powers, responsibilities and job functions when employees -- usually in executive and management positions, leave the company through retirement, or other means.

If we think of human resource planning as ensuring that the right people and right skills are available so the company can meet its strategic and shorter term goals, then it's clear that succession planning is an important part of this process.

In terms of process, succession planning involves identifying positions and roles where vacancies are anticipated, and identifying how the company will fill those positions. When it's determined that succession planning will rely on internal promotions, some companies will begin a process of identifying one (or more than one potential candidate), and begin the development process with them, so that when it is time for a person to step up, they have ample experience and the necessary skills to do so.

For example, a person targeted to fill an anticipated vacancy from within may be encouraged to take relevant university courses, attend seminars for skill building, shadow the current incumbent to learn the ropes, receive coaching and mentoring from the incumbent, participate in job rotations, and other developmental activities.

While it may seem that succession planning (and developmental planning) applies only to internal staff (preparing an existing employee to move up), it can also be used with a new hire, who may be hired before the incumbent leaves, and is prepared for the full position while the incumbent is still in place. The purpose is to ensure continuity of operations.

Are There Any Best Practices For Succession Planning?

There is research on what constitutes best practices in succession planning. Here are some of the findings from a study conducted by Peperdine University on executive succession planning.

Companies succeeding with succession planning tie in the process to business strategy

- * Human resources is typically responsible for the tools and processes associated with successful succession planning. Business or line units are generally responsible for the "deliverables" -i.e., they use the system to manage their own staffing needs. Together, these two groups produce a comprehensive process.

- * Technology is often used as a succession planning tool

- * With respect to leadership and executive development best practices companies identify talent continuously and cyclically (it's an ongoing process, and not a one shot deal), and they have a good sense of leadership and management competencies they will need, and need to develop.

- * As with many corporate initiatives, senior management support is necessary for success. Since the grooming of talented individuals does require investment of time, energy and money, this isn't surprising.

Succession planning grooms firms for success

While the demand for effective managers continues to grow, the retirement of baby boomers is producing a sharp decline in the ranks of available personnel. In addition, the executives of the future are expected to be more sophisticated in order to develop and lead new global and technological initiatives. For these reasons, careful planning for the eventual replacement of managers at all levels in organizations has gained strategic importance.

This is true for small firms as well as large ones. It's not just succession to the top - It's getting the right person in place for every job. Some of tomorrow's key jobs may not even exist now. If a firm plans to double in size in five years, they will need more talented managers.

The larger issue is leadership development, tracking, and developmental opportunities. The real key in succession management is to create a match between the organization's future needs and the aspirations of individuals. The only way to keep talented people is to provide them with growth opportunities that keep them stretching and finding more promising opportunities they might find elsewhere. The average college graduate will change jobs five times in his or her career. Within the next decade, this norm will probably increase to seven job changes. Recruiting and retaining leaders becomes an economic and strategic challenge.

Succession management serves as an interface between the human resource function and the strategic direction of an organization. In this role, it is a vital resource in anticipating the future needs of the organization and helps find, assess, develop, and monitor the human capital required by the organization's strategy. While serving as trusted adviser and confidant of the CEO, the succession management function may also reflect the concerns and needs of line executives throughout the business units.

To discover what leading practitioners of this complex art have learned, 16 firms sponsored an investigation with the American Productivity and Quality

Center into the succession management practices of companies who had been identified by published reports or nominated by the study team as potential "best practice partners." The study sponsors voted to choose Dell Computer, Dow Chemical Company, Eli Lilly and Company, PanCanadian Petroleum, and Sonoco Global Products as firms they would like to visit and study their approaches to management succession.

In this investigation, we found that succession management is a continuous annual process. It requires an ongoing commitment of top executives, divisional HR Staff, and succession management specialists. At Dell Computer, committed top executives were able to assemble a succession management program very rapidly, and they have used it to manage an incredible rate of growth without major discontinuities. Collaboration between the CEO and succession management teams can create a virtual cycle of success.

All best-practice partners felt fortunate to have the enthusiastic support of the top management. But this support was not gratuitous and was earned by providing an essential service. At Dow, the process was designed with the active involvement of the CEO, the vice president of human resources, and the workforce planning strategic center. At PanCanadian, the CEO is the key sponsor for succession management, and a senior management committee of vice presidents steward the process at the corporate level.

One of the clearest insights discovered is that effective succession management is a journey, not a destination. The best-practice partners in this study did not succeed in their first efforts at succession management. Similarly, none have rested on their laurels since having their process up and running. They continually see and adjust their systems as they receive feedback from line executives, monitor developments in technology, and learn from other leading organizations. For example, Dell reduced the degree of computerization for succession management data in response to feedback from the field. Conversely, Lilly focused on providing a single integrated, centralized, and synchronized database of succession information.

Monitoring Future Needs

Succession management identifies and monitors various talent pools within the organization to match the future needs of the organization with the bench strength of available talent. Not having the right talent in place is often a growth-limiting factor in achieving business potential. With the impending retirement of baby boomers and increased demands for diversity, leading organizations are building systems that provide talented, high performers opportunities to grow. For example, Sonoco identifies eight separate pools that are sorted by division or business unit. PanCanadian focuses on "bright lights" and critical skills but also looks across the organization, especially for high potential young managers reporting to senior executives.

Talent Assessment

Talent assessment is a semi-transparent process in best-practice organizations. Most managers receive feedback and information about their developmental needs and suggested activities for further growth. Individuals who have been designated as high potential are seldom told of this designation to avoid raising expectations. At Lilly, an eight-page talent identification questionnaire is used to evaluate the assumed potential of 15,000 associates on performance, potential derailment factors, and learning agility. Similarly, Dell uses scaling calls to determine an individual's level of talent.

Best-practice partners use a core set of competencies or behaviors to establish a standard of comparison for assessment. Most organizations use a subset of leadership competencies that are aligned with the core set. All use these competencies as a basis for performance management and four out five use these for identification of high-potential employees. Furthermore, best-practice partners used fewer competencies than study sponsors, feeling that simplicity and focus were stronger advantages than comprehensive efforts. Dow has moved from having different competencies for each global business to a common set of seven used throughout the corporation. Dell focuses on "global corporate talent," which consists of individuals who have the capability

to "run significant portions of a Business...on a global basis." They also track "functional high potentials."

Technology Used to Integrate Data

The use of technology in succession management varies widely within the best-practice organizations. Yet, web-based systems seem to offer great potential for worldwide access and large-scale integration of data. As suggested previously, Dell has moved from more extensive global software applications to a much simpler MS Excel workbook to organize data. Sonoco moved to integrate four commercial applications (PeopleSoft, HRCharter, Lotus Notes, and ExecuTRACK) into a seamless system that can be globally accessed and updated daily.

Developmental Activities

Meet Organizational Needs Best-practice partners employ a wide range of developmental activities to engage leaders and extend their capabilities. These firms spend considerable time creating stretch developmental opportunities that are consistent with the organization's needs, as well as with those of the individual. Several firms reported that they would give people a temporary assignment as a part of, or tied in with, an action learning assignment.

Dow Chemical offers mentoring, coaching, and action learning along with university-based programs. Dow's internal research indicates that graduates of their internal executive education program showed improvements in strategic thinking, external focus customer orientation, and global view. Dow also offers an extensive array of training courses on-line. They report 14,000 on line courses were completed online in one week. Eli Lilly uses individualized developmental plans, 360-degree feedback, job rotation and a formal mentoring program as part of their developmental arsenal.

Subject Firms Measure Performance

All best-practice partners use some variety of a nine-box matrix for classifying the performance of their managers. In most instances, this matrix (originally

popularized by General Electric) assesses individuals on the basis of performance, corporate values, and perceived potential. An individual who is performing well may not be judged as highly as someone who has not gotten comparable results but has persevered in a real stretch assignment. A popular competency was "learning agility." This refers to the ability and willingness to learn new material and adapt to new situations.

The major metric by which succession systems are evaluated is the percentage of openings filled from within the firm. Sonoco finds that the performance/promotability matrix is 80 percent to 90 percent accurate in identifying candidates for key positions. At Dow, the hit rate of the succession plan is the key measure. If the person elected for an open position was on the list of potential successors, the system is believed to be working. The current hit rate of 75 to 80 percent shows considerable improvement from the past and is viewed as a reasonable target. Other key metrics include diversity and cross-functional assignments. Lilly has a measurement system that ensures its senior management cadre includes diversity in gender, ethnicity, and geographic origin. Finally, a unified approach to succession management can help to maintain consistency between different business units and geographic areas, and can contribute to objectivity in an organization's strategic human resources. For many firms, the first step in realizing these benefits will be to place succession management on the strategic radar. Then, an organization is prepared to benefit from the following best-practice principles.

KEY BEST-PRACTICE INSIGHTS

Deploying a Succession Management Process

- * Best-practice organizations make succession planning an integral corporate process by exhibiting a link between succession planning and overall business strategy. This link gives succession planning the opportunity to affect the corporation's long-term goals and objectives.

- * Human resources is typically responsible for the tools and processes associated with successful succession planning. Business or line units are generally responsible for the "deliverables" -i.e., they use the system to

manage their own staffing needs. Together, these two groups produce a comprehensive process.

- * Technology plays an essential role in the succession planning process. Ideally, technology serves to facilitate the process (make it shorter, simpler, or more flexible) rather than becoming the focus of the process or inhibiting it in any way.

Identifying the Talent Pool

- * Best-practice organizations use a cyclical, continuous identification process to focus on future leaders.

- * Best-practice organizations use a core set of leadership and succession management competencies.

Engaging Future Leaders

- * Best-practice organizations emphasize the importance of specific, individualized development plans for each employee.

- * Individual development plans identify which developmental activities are needed, and the "best practice" firms typically have a mechanism in place to make it simple for the employee to conduct the developmental activities. Typically, divisional human resource leaders will monitor employee follow-up in developmental activities.

- * Best-practice partners rely on the fundamental developmental activities of coaching, training, and development most frequently and utilize all developmental activities to a much greater extent than the sponsor organizations.

- * In addition to traditional executive education programs, best-practice partners increasingly use special assignments, action learning, and web-based development activities.

Monitoring and Assessing the Program

* Best-practice organizations develop methods of assessment to monitor the succession planning process. These methods vary according to business goals and company culture.

Recommendations for Success

When the firms who had been recognized as "best-practice organizations" were asked for any insights that might be helpful to other firms interested in improving their succession management, they responded with the following recommendations.

1. Keep the process simple. Most refinements to succession management systems involved making the process more logical and simple so that busy line executives would not feel that bureaucracy was burdensome.
2. Engage technology to support the process. Information technology makes it possible for managers throughout the world to monitor and update developmental needs and activities on a timely basis. Making information timely and reducing the time required to manage the system are major contributions of technology.
3. Align succession management within overall business strategy. Line executives are much more likely to support a system that clearly reinforces corporate goals and objectives.
4. Secure senior level support for the process. None of the best practice firms would have been as successful without top management endorsement and support.

The last two recommendations suggest that there is a "virtuous cycle" when the succession system supports corporate strategy in a tangible way. Obviously, senior executives are much more supportive when the system gives the achievement of their strategies a higher probability of success.

Where Does Training and Staff Development Fit With Human Resources Planning?

When companies have well thought out and useful human resource plans, it allows them to move training and staff development from a hit or miss process to one that is also strategic, organized, and designed to contribute to the company's bottom line.

Much that passes for training in corporations yields no value at all to the company because training and staff development dangle unconnected to business needs, present and future. Employees go to training because the seminar "sounds good", or "might be useful", and while it's sound to develop and train employees as an ends in itself, it also makes sense to choose the kinds of training that will result in employees being better contributors now, and also better contributors in the future.

A sound human resources plan will anticipate the skills that will be needed in the future, identify gaps in skills that are present, and will be needed, and then plan for the development of staff in advance, so that the skills will be available when required.

When training and staff development are linked to identified present and future needs via HR planning, it also allows for the use of multiple kinds of developmental activities, and not just reliance on training for skill development. This is because when skill needs are anticipated earlier enough, longer term learning and development activities can be used. For example, job sharing and rotation will fit when there is enough time.

What Is Edgar Schein's Human Resource Planning & Development System (HRPD)

In an outstanding and still relevant article entitled Increasing Organizational Effectiveness Through Better Human Resource Planning and Development, Edgar Schein suggests that the process of HR planning and developing staff must take into account two important sets of needs -- the needs of the company, and the needs and desires of the individual employees.

In our new millenium with companies showing less concern about employee career development, it's useful to pay attention to the idea that when both employee and corporate needs are taken into account, the results, for both parties are much superior to the situation where only one set is considered.

Schein's approach (which integrates HR planning and employee development, contains the following components:

- * Strategic business planning
- * Job/Role planning
- * Manpower planning and Human Resource Inventorying

In addition he outlines staffing rprocesses as part of the model

- * Job analysis
- * Recruitment and Selection
- * Induction/Socialization and Initial Training
- * Job Design and Job Assignment
- * Development Planning
- * Inventorying of Development Plans
- * Follow-UP of Developmental ACtivities
- * Career Development Processes and a good deal more.

We recommend Schein's article on HR planning as essential reading, even though it is almost 30 years old. It was originally published in the Sloan Management Review, Fall, 1977, Vol. 19, No. 1.

Why a Human Resources Diagnostic?

In today's marketplace, every organization is under pressure to outperform an increasingly sophisticated group of competitors. Leaders have been diligent in learning from other's successes and failures. It is rare to find an organization that has not been affected by the latest quality initiatives, customer service programs, and administrative improvements so prevalent in the last decade.

Many experts suggest that the last major area in which a company can make significant improvements is in Human Resources. Using this resource to its best advantage is a means to maximize the effectiveness of all of the other systems and procedures already in place.

Every organization wants to have an adequate number of competent employees with the skills, knowledge, experience and desire needed to further its goals. But, making efficient use of the employees in a company is, of course, a complex process. The first step is to pinpoint exactly where your strengths and weaknesses lie in this area of the business.

Applicable to both small and medium sized companies in a variety of industry sectors, this diagnostic will benefit executives and managers who are responsible for:

- * ensuring Human Resource strategies are integrated with business plans
- * establishing improvement activities for the Human Resource department
- * monitoring the effectiveness of Human Resource initiatives

This Diagnostic has been developed to assist you in auditing your organization's Human Resource practices and procedures. It consists of:

- * Interactive Diagnostic Questionnaire: a comprehensive series of questions covering best practices in all aspects of human resources management.

- * Reference Section: Bibliography on literature related to the questionnaire, hot links to other web sites dealing with similar topics, and references to innovative solutions/best practices which other service and manufacturing organizations have engaged in.

Factors Underlying Increased Interest in Human Resource Planning

Undoubtedly, there are many factors that account for the increased attention directed to human resource planning, but environmental forces-globalization, new technologies, economic conditions, and a changing work force seem particularly potent (Dumaine, 1989; Dyer & Heyer, 1984; Greenhalgh, McKersie, & Gilkey, 1986). These create complexity and uncertainty for organizations. Uncertainty can interfere with efficient operations, so organizations typically attempt to reduce its impact; formal planning is one common tactic used by organizations to buffer themselves from environmental uncertainty (Thompson, 1967). The changing characteristics of the work force, which is but one important environmental factor, make the need for planning evident. Between 1976 and 1980, the labor force grew an average of 2.8%, but between 1991 and 1995, the rate of growth will drop to 1.1 %. Additionally, whereas more than 3 million people joined the labor force in 1978, less than 2 million people are projected to enter the labor force each year from 1987 to 1995. Comparatively, the proportion of younger people (aged 16 to 24) and older people (aged 55 and over) in the work force will decline. People aged 25 to 54 will constitute a greater percentage of the labor force, increasing from 61% in 1975 to 73% in 1995. The number of mothers in the work force with children under one year old increased from 42% in 1980 to 55% in 1989. The ethnic mix of the labor force is also changing. The Bureau of Labor Statistics

estimates that ethnic minorities will account for 57% of the growth in the labor force between now and the year 2000. Of the approximately 25 million workers added to the work force between 1985 and 2000, 42% are expected to be native White women and only 15% are expected to be native White men. Fully 22% are expected to be immigrants (Glickman, 1982; Johnston & Packer, 1987; "Managing Now," 1988; "Needed," 1988; Nelton, 1988). All of these demographic projections have significant implications for managing human resources, thereby increasing the importance of human resource planning (Coates, 1987; Davis & Associates, 1986). The changing demographics mean there will be fewer entry-level employees, so competition among employers will increase.

In addition, the changing demographics signal changes in the abilities, skills, interests, and values of tomorrow's work force. For example, shortages of many types of skilled workers are imminent, including tool-and-die makers, bricklayers, shipbuilders, mechanics, machinists, and engineers ("Early Retirement," 1987). Even if organizations are willing to train new employees, the task may be difficult, as the U.S. Navy has found. At a time when many of its training manuals required 12th-grade reading skills, nearly one fourth of the high school graduates who entered the Navy read below the 10th-grade level (National Alliance of Business, 1986). Such statistics are alarming when compared to projections indicating that the levels of various skills needed for new jobs are likely to increase in the future (see Johnston & Packer, 1987). A consideration of how the values of workers who will soon make up the majority of the work force differ from those who will begin to leave it suggests additional changes on the horizon. There is already evidence of growing resistance from employees to relocation. Greater emphasis on self-evaluation and a reduction in loyalty and dedication to employers makes it more difficult for organizations to assume they can move employees around anywhere and anytime (Maccoby, 1988; Mills, 1987). A decline in organizational loyalty is occurring at the same time that workers are feeling insecure about their employment (Hay Group, 1988). A recent study comparing the work values of those over 40 years old with those under 40 years old suggested other types of changes for which organizations must prepare. For example, employees

from the younger generation, who grew up during the Vietnam war, do not trust authority as much as do members of the older generation, who are products of the World War II era. The younger generation thinks work should be fun, whereas the older generation sees work as a duty and vehicle for financial support. Younger employees believe people should advance as quickly as their competence permits, whereas older workers believe that experience is the necessary road to promotion. Finally, this study found that for the younger generation, "fairness" means allowing people to be different, but for the older generation it means treating people equally ("Work Attitudes," 1986). Changes in the work force are just one aspect of the environment stimulating the need for human resource planning. The demographic changes are somewhat predictable, but when they are considered in combination with changing technology (see Davis & Associates, 1986) and many of the other external changes described elsewhere in this issue (e.g., by Offermann & Gowing, pp. 95-108), they pose significant challenges for human resource planning and contribute to its changing status during the past two decades.

Short-Term Human Resource Planning

Many I/O psychologists work on activities related to designing and implementing programs (e.g., recruitment, selection systems, and training programs) to meet shortterm organizational needs. Such activities generally involve an element of planning in that they are future-oriented to some extent. Even projects for which objectives are expected to be achieved in as little time as a few months have, ideally, been designed with an understanding of how the short-term objectives are linked to the achievement of longer term objectives. For example, an aeronautics company engaged in a recruitment campaign to hire 100 engineers should have a clear understanding of how this hiring goal will help the company achieve long-term goals such as becoming the world's most innovative company in that industry. This hypothetical company also might have a college recruiting drive designed to find 75 college graduates to enter a training program in recognition of the fact that a growing company needs to prepare for the middle managers it will

need 5 to 7 years hence, as well as the top level managers it will need in 10 to 15 years. As this hypothetical example highlights, in order for a clear linkage to exist between human resource planning and strategic business planning, it is essential that an organization's top executives have a fully articulated vision for the future, which has been communicated and accepted by managers throughout the organization.

Forecasting Demand and Supply

In a short-term time horizon, demand and supply of human resources can be predicted with some certainty. Human resource objectives follow logically from consideration of any discrepancies between demand and supply. Demand refers to the number and characteristics (e.g., skills, abilities, pay levels, or experience) of people needed for particular jobs at a given point in time and at a particular place. Supply refers to both the number and characteristics of people available for those particular jobs. Salient questions are "What jobs need to be filled (or vacated) during the next 12 months?" and "How and where will we get people to fill (or vacate) those jobs?" What jobs need to be filled and vacated? Answering the demand question involves predicting who will leave jobs and create vacancies, which jobs will be eliminated, and which new jobs will be created. One method for predicting both vacancies and job growth is to project historical trends into the future. This is particularly relevant for organizations affected by regular, cyclical fluctuations in demand for their products or services. Behavioral theories of the causes of turnover (e.g., Mobley, Griffeth, Hand, & Meglino, 1979; Mowday, Porter, & Steers, 1982) combined with employee surveys designed to assess attitudinal predictors of turnover (e.g., job satisfaction) also help I/O psychologists and human resource planners predict how many currently filled positions are likely to become vacant. Such information can produce useful predictions when the organizational unit of interest is large, although making predictions about precisely which positions are likely to become vacant is less precise. Predictions about how many and what types of jobs will be eliminated or created in the short term generally follow directly from business plans

submitted by line managers. How and where will we get people to fill and vacate jobs? The first step in answering this question-the supply question-involves determining the desired characteristics of employees who fill (or vacate) the jobs of interest. Then the availability of those characteristics in the organization's current work force and in the external labor market must be assessed. The particular characteristics of current and potential employees that are inventoried and tracked by human resource planners are influenced by the nature of the organization and the environment in which it operates. For example, for human resource planners in growing organizations, simply finding people with the needed skills and abilities is likely to be a top priority. For planners in mature and declining organizations, the costs (e.g., salary level) associated with employees become more salient, especially if work-force reductions are needed. Thus it is important for the human resource planner to know the business needs and characteristics of the organization. This knowledge is gained by human resource planners meeting with line managers to discuss their business plans as well as their human resource needs. The process of discussion increases the accuracy of supply and demand forecasts and facilitates the establishment of human resource objectives (see Schuler, 1988).

Establishing Objectives

With a short-time horizon, objectives are often easy to state in quantifiable terms. Examples of short-term human resource objectives include increasing the number of people who are attracted to the organization and apply for jobs (increase the applicant pool); attracting a different mix of applicants (with different skills, in different locations, etc.); improving the qualifications of new hires; increasing the length of time that desirable employees stay with the organization; decreasing the length of time that undesirable employees stay with the organization; and helping current and newly hired employees quickly develop the skills needed by the organization. Such objectives can generally be achieved in a straightforward way by applying state-of-the-art human

resource management techniques and working with line managers to ensure agreement with and understanding of the program objectives.

Design and Implementation of Short-Term Programs

The technical skills of I/O psychologists are often applied to short-term program design and implementation. For size and quality of the applicant pool. Selection programs are developed for making hiring decisions. Performance appraisal systems identify performance deficiencies to be corrected and competencies to be rewarded. Training programs emphasize developing skills for use in the near future. Compensation systems are designed to attract new employees, to motivate people to perform well, and to retain employees. Even when these activities are designed to achieve short-term objectives and are expected to have relatively immediate pay-offs, they can serve to help an organization achieve its longer term goals. Donald K. Brush, vice-president and general manager of the Barden Corporation, described how short-term human resource planning efforts helped his organization achieve its strategic goals (Brush, personal communication, March 8, 1989): Barden realized it had an opportunity to significantly increase its business, but to do so would require them to increase their hourly work force by a net of about 125 employees in one year, at a time when the local unemployment rate was only 2.5%. Past experiences had taught Barden that foreign immigrants often became excellent employees. Although there were many immigrants from a variety of different countries who were interested in employment, a major hurdle to their immediate success was their lack of fluency in English. Brush described the problem and the solution, like this: To begin to be functioning, qualified Barden employees, newcomers must not only master the basic "Garden" vocabulary, but they must be able to look up standard operating procedures, read Material Safety Data sheets, and they must also master basic shop mathematics, measurement processes and blueprint reading... . We asked Personnel to investigate how we might teach these people enough English to pay their way. The upshot was this: We

retained Berlitz. A special intensive course was developed in cooperation with our training unit.... All students are on our payroll and meet with a Berlitz instructor four hours a day for 15 consecutive work days during working hours. The effect has been electric. The confidence level of the students has soared as they have tried out their new language ability. Supervisors are impressed. And the word is getting out to the community with positive results. (Brush, personal communication, March 8, 1989) This example illustrates a problem that organizations will face increasingly in the near future, namely, a shortage of qualified entry-level job applicants (Johnston & Packer, 1987). This demographic change is likely to mean that organizations will begin to shift the focus of their short-term human resource programs. During the past 20 years, the combined forces of equal employment opportunity (EEO) legislation and the abundant supply of new entrants into the labor force were congruent with human resource activities aimed at improving the ability of organizations to select employees on the basis of their job-related skills and abilities. Organizations benefitted from investing in the design, validation, and use of selection "tests" of all sorts. This is because even tests with relatively low, but nonzero, validity can have economic utility when selection ratios are sufficiently low. As the labor pool shrinks, however, selection ratios will tend to become larger. As a consequence, small marginal gains in test validity will have less economic utility, relative to the past. In order for investments in the development and use of sophisticated selection methods to yield economic returns, much more energy will have to be directed toward recruiting efforts to increase the number of job applicants because only by attracting a large pool of applicants can selection ratios be kept low. If small selection ratios cannot be maintained, organizations may conclude that their resources are better invested in training efforts designed to prepare those few who are available. Examples of innovative recruiting programs are already plentiful. Giant Food, Inc., has a mobile recruiting office—a Winnebago van that is a self-contained recruitment center that seeks out job applicants—by visiting schools, shopping centers, and so forth. Coopers & Lybrand employs successful minority business people in the community to help recruit minority applicants" and to serve as mentors. McDonald's Corporation has emerged as a leader in the recruitment of older employees, which it does by using television commercials

and formal relationships with senior citizen organizations. It is important to note that such efforts to broaden the pool of applicants often' require coordinated,- intermediate term programs designed to ensure that nontraditional new hires are effective and can be retained.

Evaluating Short-Term Human Resource Programs

As is true for any type of program evaluation, this phase involves assessing how well objectives were achieved. Because short-term planning objectives are generally stated in terms that are relatively easy to quantify (e.g., numbers of applicants, numbers of hires, and performance levels of employees), systematic evaluation of human resource programs to meet short-term organizational needs is quite feasible, and some types of program evaluations are actually common in large organizations. For example, in part because numerous federal and state laws prohibit some forms of discrimination, selection programs in particular have been closely scrutinized to ensure that employers base their selection decisions on characteristics of applicants that are job related. Whether such scrutiny will continue is somewhat uncertain, however, given recent Supreme Court decisions (e.g., Lorraine v. AT&T 1989; Martin v. Wilks, 1989; Patterson v. McLean Credit Union, 1989; Wards Cove Packing v. Atonia, 1989). Legal regulations have prompted many organizations, especially large ones, to assess empirically the relationship between an applicant's characteristics (e.g., abilities) and job performance. Such evaluation studies (validity studies) benefit employers because they serve to monitor the objective of getting the right people in the right job. Validity studies also serve a scientific function by providing valuable data to researchers interested in improving our understanding of the factors that influence human performance. Until very recently, when programs for selection, training, and motivation were evaluated by I/O psychologists, the effectiveness criteria were almost exclusively behavioral' (e.g., performance and turnover) or attitudinal (e.g., job satisfaction and commitment). Such criteria need no defense to be accepted by psychologists, but line management support for

human resource programs can be difficult to achieve if the expected results of such programs are not translated into the language of business, that is, dollars. With continuing advancements in utility analysis techniques (e.g., Boudreau & Berger, 1985) and human resource cost assessment techniques (e.g., Cascio, 1986), it is becoming more feasible to build convincing economic arguments in support of human resource programs. Thus, rather than having to spend energy arguing for resources to conduct short-term programs, I/O psychologists in organizational settings are being freed to deal more extensively with intermediate-term and longer term human resource planning issues.

Intermediate-Term Human Resource Planning

As we have noted, planning is used by organizations to buffer production or service delivery processes from sources of uncertainty. Human resource programs for the recruitment, selection, training, and motivation of employees help reduce uncertainty by ensuring that a sufficient number of people with the required characteristics and skills are available at all levels in the organizations. When the planning horizon is short, there is little uncertainty about which skills and how many people will be needed, and it is relatively easy to predict supply. However, rapid and ongoing changes in today's business environment mean that the future cannot be easily anticipated by simply projecting past trends. As the focus of planning moves from short term to intermediate term, the question "What will we need?" is less easily answered and so becomes more dominant. For intermediate-term planning, there is also more uncertainty related to the question, "What will be available?" Consequently, human resource planning for the more distant future quickly raises the question, "How can we determine what will be needed and what will be available?" In other words, more technical attention must be given to the problem of forecasting. As in short-term human resource planning, the twin problems, of forecasting demand and forecasting supply both must be addressed before objectives can be established and programs developed. With increased uncertainty, interaction between the human

resource planner and line managers is even more critical for making accurate demand and supply forecasts.

Forecasting Intermediate-Term' Demand

In order to forecast the numbers and qualities of people who will be needed to perform the jobs that will exist in the organization's intermediate-term future (in two to three years), strategic planners, attempt to predict organizational outputs, such as expected production, volume, and sales levels. The outputs that an organization intends to produce or deliver, in combination with the technology that the organization intends to use to generate the outputs, dictate the human resource needs of the organization. Predicting outputs requires considering factors such as future demands from the marketplace for the products and services that the organization provides, the percentage of the market that the organization is likely to be able to serve, the availability and nature of new technologies that may affect the amounts and types of products or services that can be offered, and the different countries in which the organization expects to operate (Dumaine, 1989). The task of formulating plans that specify the intended future outputs (in terms of quantity, type, and location) of the organization is usually the responsibility of middle-level line managers. Human resource planners must then translate these objectives for outputs into predictions about the amount and the nature of jobs that employees will need to perform in order to produce the desired outputs. Predicting future human resource demands requires (a) having an accurate model of the factors that will influence demand and (b) being able to predict the state of all the major variables in that model. Organizations operating in fairly stable environments may be able to construct models that include most of the major factors likely to determine demand for up to three years into the future. It is even possible for some organizations to quantify the expected values of variables in their models, which means they can use statistical forecasting techniques such as regression analysis, time-series analysis, and stochastic modeling to forecast human demand (e.g., see Charnes, Cooper, Lewis, & Niehaus, 1978). For firms operating in unstable environments,

however, even threeyear predictions' are likely to be highly uncertain because both the variables and their expected values are difficult to specify accurately by relying on historical data. Given the complexity of statistical forecasting, it is understandable that judgmental techniques are more commonly used than statistical techniques (Kahales, Pazer, Hoagland, & Leavitt, 1980; Milkovich, Dyer, & Mahoney, 1983).-A simple type of judgmental forecasting is managerial estimation. Estimates of staffing needs are made by middle- and lower-level line managers who pass them up to top managers for further revisions to form an overall demand forecast (Walker, 1980). Increasingly, human resource planners are involved in these stages of estimation and revision to ensure an integrated approach to planning. A more sophisticated method of judgmental forecasting is the Delphi technique, which is a decision-making method designed to maximize the benefits and minimize the dysfunctional aspects of group decision making. In a Delphi "meeting" (which need not be face-to-face), several experts take turns presenting their forecasts and assumptions. An intermediary passes each expert's forecast and assumptions to the others, who then make revisions in their own forecasts. This process continues until a viable composite forecast emerges. The composite may represent specific projections or a range of projections, depending on the experts' positions. The Delphi technique appears to be particularly useful for generating solutions to unstructured and complex questions, such as those that arise during human resource planning. It does have limitations, however. For example, when experts disagree, integrating their opinions to yield a final solution that all participants accept can be difficult (see Delbecq, Van de Ven, & Gustafson, 1975; Milkovich, Annoni, & Mahoney, 1972). Nonetheless, the human resource planner must integrate diverse predictions in order to establish human resource objectives and design programs to achieve those objectives, and line managers must accept the predictions as reasonable if they are to provide their support during the implementation phases of human resource programs. Both managerial estimates and the Delphi technique typically focus on forecasting the number of employees that is likely to be needed. Less attention is usually paid to the issue of the qualities (e.g., skills and abilities) that future employees will need, primarily because techniques have not been widely available for predicting

these (Goodstein, personal communication, February 9, 1989). When psychologists engage in short-term planning, job analysis is used to determine the qualities that employees need in order to perform currently existing jobs. Rapid technological changes mean jobs in the future are sure to differ from jobs in the present (Zuboff, 1988), however. As an indication of the fact that I/O psychologists are now more often dealing with problems of intermediate-term planning, research efforts are underway to develop procedures for conducting future-oriented ("strategic") job analyses (Arvey, Salas, & Gialluca, 1989; Schneider & Konz, 1989) and for identifying the managerial competencies that are necessary for effective performance in the future (DeLuca, 1988; Goodstein, personal communication, February 9, 1989). Because job analysis results are the foundation on which most human resource programs are built (Page & Van De Vroot, 1989), the development of sound future-oriented job analysis methodologies is a challenge that I/O psychologists must meet before they can realize their potential as contributors to the long-term effectiveness of organizations.

Forecasting Intermediate-Term Supply

Supply forecasts can be derived from both internal and external sources of information, but internal sources are generally most crucial and most available (Bechet & Maki, 1987; Miller, 1980). As with forecasting demand, two basic techniques help forecast internal labor supply-judgmental and statistical. One judgmental technique used to forecast supply is replacement planning. Replacement charts show the names of current position occupants and the names of likely replacements, providing a rough estimate of the "bench strength" of the organization. On the replacement chart the incumbents are listed directly under the job title. Those individuals likely to fill the potential vacancies are listed directly under the incumbent. Such lists can provide an organization with reasonable estimates of which positions are likely to become vacant, and they can indicate whether someone will be ready to fill the vacancy (Walker & Armes, 1979). Present performance levels, ages, and information about the loyalty of current employees can be used to predict

future vacancies caused by raids of top talent, involuntary turn-over, retirement, and employee-initiated job changes. Consistent with the spirit of integration, increasingly line managers and human resource planners jointly establish replacement charts for middle- and upper-level positions. Less common techniques to forecast supply are statistical techniques, which include simple inventory models, Markov analysis, simulation (based on Markov analysis), renewal analysis, and goal programming (Dyer, 1982; Niehaus, 1979, 1980, 1988; Piskor & Dudding, 1978). Use of statistical methods for forecasting human resource supply involves two steps, regardless of the particular model used. The first step is generating an inventory of current supply (the number of people and their skills and abilities). The second step involves predicting how the supply is likely to change over time. Ideally, both steps consider both internal and external supply sources, although in practice it is often more difficult to estimate labor supplies external to the organization. I/O psychologists have been studying the nature of human abilities and the nature of jobs for most of this century. Consequently, sophisticated techniques are available for directly assessing employees' skills and abilities (e.g., see Arvey & Faley, 1988; Schneider & Schmitt, 1986), or the supply of skills and abilities available in the organization's work force can be inferred from job analyses of the jobs that current employees are performing (see American Telegraph & Telephone, 1980; Arvey et al., 1989; Fleishman & Quaintance, 1984; Levine, 1983; McCormick, Jeanneret, & Mecham, 1972; U.S. Air Force, 1981). By assessing the extent to which the current work force possesses skills and abilities that can be transferred to aid their performance in jobs predicted to exist in the future, I/O psychologists can help organizations assess how much of a discrepancy exists between their current skills profile and the profile required to meet their strategic plan. Thus research by I/O psychologists clearly has contributed greatly to making it possible to inventory and forecast human resource supplies. At the same time, computer technology has increased the feasibility of keeping information provided from such inventories up-to-date (Murdick & Schuster, 1983). Furthermore, EEO requirements have led many organizations to view such inventories as highly desirable and perhaps necessary, so statistical models have been developed

to deal specifically with this aspect of human resource planning (Bres, Niehaus, Schinnar, & Steinbuch, 1983; Krzystofiak, 1982; Ledvinka & La Forge, 1978). For statistical forecasting, current supply information serves as a starting point. Figures describing the current work force, both within the organization and externally, are then transformed through statistical models to predictions of future supply levels. Such models require the human resource planner to provide information about how employees are likely to flow through the organization. Annual hiring levels, turnover rates, promotions, and within-firm transfers typically are considered. The result is a quantitative prediction of what the future work force would probably be like absent the implementation of programs designed to change the projected supply.

The accuracy of statistical techniques for forecasting future supply levels depends entirely on the accuracy of the user-supplied figures about how employees are likely to flow through the organization and the accuracy of the statistical model used to transform current supplies into predicted future supplies. Accurate estimates and accurate models of employee flows are most likely to be available in organizations that have extensive record keeping procedures because these can be used to identify the typical movement patterns of employees in the past. The U.S. military is one example of such an organization,' and much of the available research on statistical forecasting has been supported by the U.S. government. Extensive use has been made of a simple inventory model in the U.S. Navy's public shipyards in conjunction with the Naval Sea Systems Command' (NAVSEA) efficiency study (Niehaus, Schinnar, & Walter, 1987). The Navy used goal programming models extensively in its work on downsizing the civilian work force after the Vietnam war and in incorporating EEO planning needs (Charnes, Cooper, Nelson, & Niehaus, 1982;;Charnes, Cooper, Lewis, & Niehaus, 1978). Other organizations that have successfully used statistical forecasting include IBM (Dyer & Heyer, 1984), Merck (Milkovich & Phillips, 1986) and Ontario Hydro (Rush & Borne, 1986).

Establishing Intermediate-Term Objectives

After projecting future human resource supplies and demands, intermediate-term objectives are set and action plans are developed to meet the objectives, through the joint efforts of the human resource planner and relevant managers throughout the organization. Differences in the types of objectives established for the short and intermediate term reflect differences in the types of changes that are feasible with two or three additional years of time. Thus, whereas short-term objectives include attracting, accessing, and assigning employees to jobs, intermediate-term objectives are more likely to include readjusting employees' skills, attitudes, and behaviors to fit major changes in the needs of the business, as well as adjusting human resource practices to fit changes in the needs of employees.'

Intermediate-Term Programs to Help Employees Adjust to Changing Organizations

Training and retraining programs are often the method of choice for achieving intermediate-term objectives. The nature of training used to prepare for needs that will exist in two to three years can vary greatly. Programs include those designed to provide basic skills training to new hires, advanced education for existing employees, language training, internships and work-study programs, and public school partnerships (see Bolick & Nestleroth, 1988). The forces prompting organizations to develop such programs are many; they include changes in technology, a shift from a manufacturing-based to a service-based economy, and the failure of some public school systems to produce high school graduates who are competent to join the work force (Perry, 1988). Changing technology creates the need for training. U.S. manufacturers are experiencing a revolution in technology. A century ago, the concept of assembly-line production created an industrial revolution; today computers are contributing to an electronic revolution. Blue collar employees who previously were expected to perform routinized tasks hundreds of times a day are now being expected to operate the sophisticated robots that perform

the routine work (Johnston & Packer, 1987). In addition, they are expected to use computers to monitor and evaluate, using statistical analyses, the flow of work through the plant. Learning skills such as these often means employees first must be trained in basic math and computer use. In addition, they may be taught, in effect, the logic of experimental design as a means for diagnosing the causes of problems that arise. For example, at Frost Inc., a small manufacturing company in Michigan, employees were taught how to determine whether a quality problem was being caused by a particular operator or by cular machine. Such determinations were possible because extensive data were stored for each item produced. The data included information about which particular machines were used in each step of the process, who was operating the machines, and whether the final product met various quality standards. Thus, by applying the principles of analysis of variance, the cause of quality problems could be detected and corrected (Frost, personal communication, May 23, 1986). The retraining needed to provide these skills took approximately three years and was accomplished mostly on-the-job. Service-related jobs require new management styles. Change in manufacturing technologies is a major stimulus for intensifying training at work, but it is not the only important stimulus. Another fundamental shift is the changing balance between goods-producing and servicereLATED activities. Even within organizations that are primarily goods-producing, the value of a service orientation is now being recognized by U.S. businesses. With more attention being directed toward service provision, the natural question that arises is whether different management practices are needed to manage service providers. The delivery of services differs from the production of goods in three ways: products are intangible rather than tangible, customers are actively involved in the production of services, and the consumption of services occurs simultaneously with their production (Bowen Schneider, 1988). The simultaneity of the production and consumption processes means that quality control cannot be achieved by the inspect-and-correct (or reject) method of performance monitoring traditionally used in manufacturing plants. Instead, quality control must occur at the point of service delivery. The service provider is responsible for ensuring the quality of service' during each and every interaction with a client. To maintain control

over quality, service organizations need to control the process of service production rather than to monitor the quality of outputs (Mills & Moberg, 1982). In other words, service providers must monitor and supervise their own behaviors. Because employees who deliver services must engage in self-supervision, high levels of employee commitment and involvement are needed. Creating conditions supportive of such employee attitudes is complex; it requires careful planning and, in many cases, a willingness to change basic assumptions about how much power and information lower level employees should be given (see Hollander & Offermann, this issue; Lawler, 1986). I/O psychologists have already begun to study how various personnel practices affect the involvement and commitment levels of employees, so a foundation exists for experimenting with job redesign, use of participative management styles, and organizational structures built around small, stand-alone businesses instead of large hierarchical and bureaucratic enterprises. Gaining cooperation with organizational changes such as those just noted is particularly challenging because managers' long-held beliefs about how to maximize employee performance are often brought into question. Creating attitudinal and behavioral change is difficult under most conditions, but it is particularly difficult when there is uncertainty about the pay-offs. Thus a significant task is convincing those top-level executives whose resources and support are needed that proposed human resource programs will be effective. This involves translating the scientific evidence into a form that is both understandable and convincing. Short of this, I/O psychologists can attempt to persuade organizational leaders to adopt the perspective that organizational learning is an objective worth pursuing in the interest of long-term survival (Guzzardi, 1989). Consistent with this perspective would be a willingness to implement programs on an experimental basis in anticipation of gaining knowledge that is valuable even if the program is ultimately not a complete success (see Staw, 1977). A shortage of well-prepared new hires spurs outreach programs. In the past, employers generally relied on on-the-job training programs to teach new employees the specific job skills they needed, but a significant number of organizations now recognize that they can begin shaping their future work force while students are still in school. Time, Inc., brings disadvantaged students from nearby schools to their company

headquarters in New York City weekly during the school year to receive tutoring in reading by employees in their offices. In 1982, American Express and Shearson Lehman Hutton began the Academy of Finance, which is a two-year program for juniors and seniors. In addition to their normal curriculum, Academy students take classes in economics and finance and attend seminars designed to socialize them into the culture of the financial services industry. Students then work as paid interns during the summer (Perry, 1988). Honeywell, Inc., sponsors a summer Teacher Academy, where Minnesota high school math and science teachers team up with researchers to develop class projects (Ehrlich, 1988). General Electric invested \$1 million in a program in a poor, Black, rural area of Lowndes County, Alabama. The program partly pays for tutoring sessions given by the faculty of Tuskegee Institute for students in secondary school (Teltsch, 1988). Arizona State University, armed with a \$100,000 grant from AT&T, is trying to change the Hispanic cultural pattern that discourages college for women. Teams of mothers and their teenage daughters are brought to the college campus to impress them with the need for college training and to help the young women become eligible for entrance (Teltsch, 1988). Such educational programs are illustrative of a growing realization among employers that they must begin to attend to the general educational needs of the work force in order to ensure its future productivity. These programs are particularly striking because they represent large investments in people who are not yet, and may never be, employees of the sponsoring organizations. Economic conditions force downsizing. A third major stimulus for intermediate-term human resource programs is organizational restructuring, including mergers and acquisitions and the work force reductions that often follow. From their experiences with massive lay-offs in the past few years, organizations have become increasingly sensitive to the importance of planning programs for dealing with the effects of lay-offs. Many organizations are trying to minimize the negative effects of lay-offs through redundancy planning, outplacement counseling, buy-outs, job skill retraining, creation of transfer opportunities, and promotion of early retirements ("Early Retirement," 1987). Digital Equipment Corporation (DEC) is an example of one company that combined several of these activities with an intermediate-term planning horizon to effect a large-scale

work force restructuring (see Kochan, MacDuffie, & Osterman, 1988). It is an excellent example of an integrated effort between human resource and line managers to solve an intermediate-term planning problem. During most of the 1970s and early 1980s, DEC grew rapidly, but a sudden and sharp stock price decline in October of 1983 dramatically signaled the beginning of a new era for the firm. DEC's senior line managers and the vice-president of human resources projected staffing needs for the next two years and determined they would need to go through a major transition (rapid lay-offs were viewed as inconsistent with the company's organizational values). Top management gave responsibility for effecting the change to line managers at the plant level. A task force of line managers and human resource staff developed a strategy and general guidelines for the process, which ensured some uniformity across different units within the corporation. The task force established performance as the primary criterion to be used when making cuts, intentionally choosing not to rely on seniority. The decision not to emphasize seniority was at odds with the importance given traditionally to seniority by most unionized and nonunionized manufacturing firms as they downsize (McCune, Beatty, & Montagno, 1988). At DEC, the evaluation data collected to monitor the downsizing process revealed that seniority was a major criterion used by managers, despite the policy to emphasize performancebased decisions. The task force also developed several training programs. One program was for counseling employees and teaching them career planning skills. Managers were trained to be supportive during the job search process. Retraining was offered to employees who could be transferred within the company rather than laid off. Transfer opportunities could be identified by using a computerized system for matching one's skills to available jobs facilitating the reassignment of employees within the firm. (Interestingly, however, the system was underused because managers preferred to rely on their informal networks of contacts within the company.) In a two-year period, DEC's worldwide manufacturing work force was decreased by 5,598 employees. Kochan et al.'s (1988) description of DEC's experiences with a work force reduction program raises a number of interesting issues for I/O psychologists. For example, DEC's experience with the computerized, but underused, jobmatching system emphasizes the importance of developing

technical supports that capitalize on, rather than ignore, interpersonal dynamics. Their experience with managers using seniority rather than performance as a criterion for targeting employees to be laid off emphasizes the importance of understanding perceptions of what constitutes "fair treatment." The DEC example illustrates that even the most conscientious planning does not guarantee that objectives will be met. Knowing this, experienced managers might be tempted to deemphasize the monitoring of outcomes in order to reduce the visibility of program failures. However, as the DEC example illustrates, by monitoring outcomes, significant opportunities are created for organizational learning. Organizations must adapt to a diverse workforce. The radical demographic transformation of the work force means that organizations need to develop competence in managing a work force that is more diverse on many dimensions, including age, ethnicity, family situation, educational background, country of origin, and the attitudes and values associated with each of these factors. As a consequence, there are an increasing number of training programs designed to sensitize supervisors and managers to the wide range of individual differences represented in the organization and the implications of such differences for organizational functioning. For example, Hewlett-Packard conducts training sessions for managers to teach them about different cultures and races and about their own gender biases and training needs (Nelson-Horchler, 1988). Proctor & Gamble has implemented "valuing diversity" programs throughout the company. One example is their mentor program, which was designed to retain Black and female managers (Copeland, 1988). Examples of other programs include Equitable Life Assurance Society's support groups for minorities and women, which periodically meet with the chief executive officer to discuss problems in the company pertaining to them, and Avon's employee councils representing various groups, which inform and advise top management (Copeland, 1988). Programs such as these show that many organizations acknowledge the negative consequences of many of the inaccurate stereotypes common in our society. I/O psychologists working in such organizations now face the challenge of applying basic research findings on perception and attitude change to the design of interventions that will maximize the benefits of work-group diversity and minimize the conflicts that

often; arise. Another major challenge facing employers is the provision of conditions that permit employees to be fully productive at work, while at the same time meeting the needs of their families, including their parents, spouses, and children. Many of the programs used by organizations to facilitate these needs are described by Zedeck and Mosier (this issue, pp. 240-251). Programs such as these are designed to facilitate the organization's effective adaptation to the diverse needs of employees. They are particularly interesting because they run counter to the normal tendency of organizations to manage individual differences through means such as normative pressure and sanctions intended to reduce the variance in employees' behaviors (see Katz & Kahn, 1978). Organizational attempts to manage diversity by pressuring employees to conform can be effective when (a) employees are able and willing to meet organizational demands, even when these conflict with the behaviors required to perform other, nonwork roles satisfactorily, and (b) the supply of potential human resources is sufficiently large that employers can afford to retain only employees who do conform. The first condition was more easily met when the typical employee was a man married to a nonworking spouse who could attend to family needs. As the work force swells with people who are members of dual-career families and people who are single heads of households, both the ability and the willingness of employees to conform to rigid organizational demands are likely to decline. If, in addition, the total labor supply is relatively low, organizations will find themselves in the unfamiliar situation of seeking ways to relax pressures to conform and to assist employees in meeting their nonwork obligations as a strategy for increasing the organization's attractiveness to the scarce supply of labor. This will represent a change from using behavior control mechanisms to manage the uncertainty diversity creates to managing uncertainty by predicting variations in behavior and adapting the organization to them.

Evaluating Intermediate-Term Programs

I/O psychologists have spent less time evaluating intermediate-term human resource programs than evaluating short-term programs, partly because the intermediate time horizon encompasses more uncertainties and contingencies, as is illustrated in the example of DEC. Also, because intermediate-term programs are often larger in scope, the appropriate unit of analysis for evaluation is often the productivity level of an entire department or business unit. Although psychologists have sophisticated measurement methods for assessing the performance levels of individuals, our measurement techniques do not translate easily into measures of productivity (see Camp-bell & Campbell, 1988). Only recently have I/O psychologists begun to apply aggressively their measurement skills to developing measures appropriate for larger aggregates of employees within organizations (e.g., see Pritchard, Jones, Roth, Stuebing, & Ekeberg, 1988). Progress on this task should be particularly valuable for intermediate-term and long-term human resource planning.

Long-Term Human Resource Planning

beyond three years) is becoming critical to the effective functioning of organizations. The rapidly changing and highly competitive worldwide marketplace is causing firms to turn to their human resources for survival and competitiveness. Because there is a greater understanding that an organization's work force cannot be turned around on a dime, long-term human resource planning is gaining currency. It is an activity that demands integration of the skills and knowledge of the human resource planner and all the other executives responsible for strategic planning. Although there are many types of long-term planning efforts, we use succession planning as our primary example of the process.

Forecasting Demand and Supply: The Challenge of Succession Planning

More than ever, a major long-term business concern in organizations is "What types of managers do we need running the business into the 21st century, and how do we make sure we have them?" (Cowherd, 1986; London, personal communication, February 7, 1986). Consider this example: "Exxon is so far ahead in the succession planning game that it has already hired its CEO for the year 2010. Although it is not public knowledge who that person is, he or she is already being challenged, assessed and groomed for the top spot" (McManis & Leibman, 1988, p. 24). In describing how succession planning efforts differ now from the past, Goodstein (personal communication, February 9, 1989) pointed out that the turbulence and unpredictability of the current business environment has resulted in "a discernible trend" of substituting efforts to define more generic competencies for efforts to identify specific knowledge and skills in the specification of position requirements. H. A. Goodstein (personal communication, February 9, 1989) contrasted this with "the old" technology of management succession planning, which was largely an exercise in replacement planning. Organizations were planning within a model of minimal change in organization structure (internal environment) and a perceived static external environment. Position requirements could easily be extrapolated from the job descriptions of current incumbents-factoring into these requirements those skills and abilities that the current incumbent lacked. Since position requirements were relatively stable and career paths reasonably well-defined, an effective performance appraisal system coupled with opportunities for key executives to observe candidates adequately served the selection process for many companies. Succession planning programs are complex systems designed to safeguard the long-term health of the organization. The key activities in succession planning are identifying high-potential employees, identifying needed competencies, and providing learning experiences to develop these competencies (DeLuca, 1988). Well-developed programs include a variety of components: selection procedures, development plans, mentorships, frequent and systematic performance reviews, and career planning activities that involve employees in planning and

monitoring their own development (e.g., see Hall & Associates, 1986; Leibowitz, 1988). Those programs known for their excellence, such as those sponsored by IBM, Exxon, Squibb, and General Electric, represent large investments in integrated human resource management systems (see Mahler & Drotter, 1986; Vancil, 1987). Such programs are examples of what can be done with respect to longterm human resource planning, given the state of our knowledge about human performance in organizational settings, a belief in the value of investing in human resources, and cooperation between the human resource planner and line management. Staffing the upper echelons of organizations presents a number of unique challenges, particularly when a company practices a promotion-from-within policy. Because the planning horizon is so long, greater uncertainty exists when predicting both future demand and future supply. The uncertainty in predicting supply is compounded by the small numbers of people and jobs involved, which changes the prediction task from one of estimating the percentage of a pool of employees who are likely to be with the company x years into the future to one of estimating the probability that a few particular individuals will still be with the company x years into the future. Providing developmental experiences to a greater number of employees helps reduce the uncertainty of forecasted supply (Leibowitz, 1988), but orchestrating developmental experiences for large numbers of employees can be very difficult logistically because development is best accomplished by rotating employees through many key jobs throughout their careers (see McCall, 1988). Predicting who will be available and with what capabilities is only half of the problem, of course. Equally challenging is predicting the needs of the organization (DeLuca, 1988). Organizations are dynamic systems embedded in dynamic environments. When planning for future needs, the only sure bet is that future needs will be different from current needs. Popular wisdom has long held that different types of leaders are effective under different business conditions (Campbell & Moses, 1986; Gerstein & Reisman, 1983). For example, the personal characteristics of managers that lead to success during the startup and early growth phases of an organization's life cycle may inhibit their performance when the organization reaches the phase of maturity and stability (Gupta & Govindarajan, 1984). For companies currently in the early

growth stages, this makes succession planning particularly difficult. Because the needs of the future are inconsistent with current needs, the challenge is to find ways to maximize the effectiveness of managers in the current organizational environment of rapid growth while at the same time providing experiences for these managers to help them develop the skills they will need in the mature-stage organizational environment of the future. Another type of major change that an organization may experience during a several-year planning horizon is a modification of their competitive strategy. Like a change from rapid growth to mature stability, a change in competitive strategies may have significant implications for the types of managers needed. Competitive strategy refers to the means by which a firm competes for business in the marketplace (see Porter, 1985). Competitive strategies can differ along a number of dimensions, including the extent to which firms emphasize innovation, quality enhancement, or cost reduction (Schuler & Jackson, 1987). Briefly, the innovation strategy is used to develop products or services different from those of competitors; the primary focus is on continually offering something new and different. Enhancing product or service quality is the primary focus of the quality-enhancement strategy. In the cost-reduction strategy, firms typically attempt to gain competitive advantage by being the lowest-cost goods producer or service provider. (Although these three competitive strategies are described as pure types, in practice some overlap often occurs.) It is likely that successful pursuit of these three different strategies requires employees to adopt different patterns of behavior. For example, organizations that pursue innovation as a strategy are likely to experience uncertainty because the path to innovation includes a mix of spurts in progress and unforeseen setbacks (Quinn, 1979). In addition, the innovation process depends heavily on individual expertise and creativity. Steep learning curves and the rapid speed at which knowledge is accumulated through experience make it difficult for organizations to codify procedures. This means that employee turnover can have disastrous consequences (Kanter, 1985). Furthermore, innovation often threatens the status quo, causing some natural resistance and a volatile political climate (Fast, 1976). These organizational conditions suggest that the pursuit of innovation is likely to be successful only if employees behave in particular

ways. A large literature on innovation suggests that some of the behaviors needed from employees in firms pursuing innovation include creativeness, cooperation, risk-taking, flexibility, a longterm focus, and willingness to assume responsibility for outcomes. Many of these behaviors are quite unlike those needed when cost reduction is emphasized in an organization. When cost reduction is the focus, predictability is valued over creativity, risk-taking is less appropriate, and a short-term focus usually predominates (see Schuler & Jackson, 1987) The differences in needed employee behaviors associated with different strategies have significant implications for human resource planning. For example, a recent study compared firms pursuing an innovation strategy with firms for whom innovation was of little importance. Firms pursuing an innovation strategy were more likely than other firms to emphasize long-term needs in their training programs for managers and to offer training to more employees throughout the organization. Supporting the notion that innovative organizations need to encourage flexibility and creativity, managers in innovative companies had jobs that required the use of more diverse skills (Jackson, Schuler, & Rivero, 1989). Results such as these suggest that when organizations change competitive strategies in response to a changing business environment, they may need to significantly alter broad patterns of employee attitudes and behaviors in order to be successful in implementing a new competitive strategy. To do so, they may implement major changes in various aspects of their personnel systems. The decision to change strategies requires a long-term perspective, and its success depends in part on changing the work environment in order to support needed changes in employee behaviors, which also requires a long-term perspective. Clearly, when organizations attempt to change their competitive strategies, business and human resource planning should be fully integrated.'

Program Design and Implementation

An early example of a company that used a psychological testing program to integrate its business needs and longterm human resource planning was Sears, Roebuck, & Company. In the early 1960s, Sears realized it, would

need managers with unique abilities to guide the organization through a period of rapid expansion and growth. Based on careful evaluation of the available talent and anticipated future business conditions, Sears concluded that it should begin developing a talent pool that would include people who had greater mental ability, who were psychologically compatible with the company's need for innovation and change, who were skilled administrators and effective decision makers, and who were emotionally stable yet aggressive (Bentz, 1968, 1983). To ensure that such people would be available and could be identified, Sears developed a battery of psychological tests for use in their selection process, a process aided by the joint efforts of line management and human resource planners. Such tests are now a general component of the long-range planning efforts of many organizations because they help identify high-potential employees early in their careers (Bentz, 1983). For many organizations, succession planning and career development are tools for integrating diverse subgroups within a corporation (see Campbell, in press). For example, Sara Lee Corporation has acquired more than 40 companies during the past several years. The company uses succession planning to move talented employees through the different subsidiaries in order to build a consistent corporate culture and a sense of corporate unity (McManis & Leibman, 1988). The challenge of integrating diversity is even greater for IBM, which has operations in 132 countries. According to Donald Laidlaw, director of IBM's executive resources, succession planning systems at IBM are designed to cover human resource needs in all 132 countries (Laidlaw, personal communication, February 7, 1989). The size of IBM combined with the tremendous diversity of environments with which it must cope make predicting specific needs in the long term more or less impossible. This means effective leaders will be people who can deal well with ambiguity and who are broadly trained in all aspects of running a business. Developing such leaders is the objective of IBM's extensive succession planning and management development efforts. IBM's commitment to a general manager model of development led them to design a series of planned development positions that are used to test high-potential managers. Performance appraisals serve to continually revalidate initial judgments of future potential (and reduce executive management

uncertainty). Another company that has learned the value of having employees who can cope with ambiguity is AT&T, whose world was turned upside down in the early 1980s. In 1982, AT&T agreed to divest itself of its operating telephone companies. By 1984, more than 11,000 employees had chosen to leave AT&T rather than live with the massive changes that were about to take place as this former monolith was broken into eight different organizational units (Campbell & Moses, 1986). A leader in the design and use of assessment centers as a method for selecting managers for promotions, AT&T realized the need to begin proactively using assessment centers for developmental purposes. In addition to using assessment centers to develop managers' ability to cope with ambiguity, AT&T is trying to ensure that the organization as a whole is prepared for the future by developing two very different types of leaders-those with high levels of functional expertise and those with the broad expertise needed to be successful general managers (M. London, personal communication, February 7, 1989). Although we have focused on succession planning in this article, it is important to note that other types of long-term human resource planning efforts are equally important. Space limitations prohibit us from discussing other types of efforts at length, but we offer one example to illustrate what can be accomplished when long-term human resource planning is used to its fullest extent to link competitive strategy and human resource practices. The example is Ford Motor Company's massive quality improvement program (see Banas, 1988). In 1979, top management at Ford acknowledged the need to begin working to develop a new style of human resource management in order to achieve its goal of producing highquality products at low cost ("At Ford, quality is job one"). Since 1979, Ford has actively and aggressively sought to increase employee involvement. Philip Caldwell, as president of the company in 1978, ushered in the new era at Ford when he announced to the top executives: "Our strategy for the years ahead will come to nothing unless we ask for greater participation of our workforce. Without motivated and concerned workers, we're not going to lower our costs as much as we need to-and we aren't going to get the quality product we need" (cited in Banas, 1988, p. 391). So began a major experiment in organizational change that included efforts to improve the quality of work life and the beginnings of an organizational

restructuring. The experiment is revealing the limits of our knowledge about how to change an organization's approach to managing people, and at the same time it is contributing to our knowledge about how to manage change. It is also providing another excellent illustration of the integration of business needs and human resource planning. Most important, the description Banas has given of the change process is likely to serve as a stimulus to new research.

Evaluating Long-Term Programs

Presently most of our knowledge about how to develop and improve long-term human resource programs has been generated through trial-and-error rather than through systematic research. Nevertheless, much knowledge about individual behavior and development has been gained by analysis of the massive amounts of data generated by large-scale, ongoing management planning systems. The excellent studies conducted within AT&T are models for how the practice of I/O psychology can inform the science of psychology (Bray, Campbell, Grant, 1974; Howard & Bray, 1988). These studies shed light on the question of how ability and personality factors contribute to managerial career success, and they also informed us about patterns of change over the life span and between generations. Understandably, what rigorous researchers engaged in the evaluation of succession planning programs have emphasized is the ability to predict individual outcomes, such as career progress and satisfaction. It is also now appropriate to evaluate long-term programs using corporate outcomes such as share price, market share, receipt of industry awards, and so on. In the spirit of integrating business needs and human resource planning, such corporate indicators are legitimate criteria for evaluating success, in addition to individual outcomes. Doubtless there are many difficulties that complex, multifaceted interventions and long-term time horizons pose in drawing conclusions about cause-and-effect relationships; nonetheless, there are great opportunities for the I/O psychologist who adopts a long-term view and for human resource planners

and line managers who coordinate their efforts to assess the long-term effectiveness of human resource programs in corporate and individual terms.

Workforce Planning: The Strategy Behind “Strategic Staffing”

A company's annual budgeting process generally requires managers to project personnel requirements for the upcoming fiscal period. Unfortunately, this task offers little value beyond influencing the short-term allocation of corporate funds. Besides narrowly focusing on a single year, needs are typically assessed in relation to the status quo.

Yet the harsh reality is that the business world is changing at a dizzying pace, and what makes sense today may not a year from now. Technology, in particular, is constantly redefining the nature of work.

And despite the prevalence of the phrase "strategic staffing," most recruitment activities can be described as tactical at best. In fact, more often than not, they are reactive: An employee quits, and Human Resources - through no fault of its own - scrambles to fill the vacated position.

While this may seem unavoidable, almost any recruiter or HR generalist will argue that there is a more effective way to staff a company. But even the most ambitious HR team can be only as proactive as the organizational context allows. As is the case with many HR projects, the "full support" of corporate leaders is not enough; a successful workforce planning initiative often requires sweeping changes to company-wide processes and procedures, and demands the commitment and cooperation of all levels of management.

What is workforce planning and why should we bother?

Workforce planning is a systematic approach to anticipating staffing needs and determining what actions should be taken - starting now - to meet those needs. This multi-step process involves:

- * Gaining a thorough understanding of your current workforce;
- * Envisioning the operating environment that will most likely exist in the future;
- * Identifying the competencies that will move the firm forward to overcome challenges, seize opportunities, and thrive in what will undoubtedly be a new world of work; and
- * Developing strategies and implementing tactics for building this workforce.

Workforce planning puts you "one step ahead," resulting in informed staffing decisions that benefit the company in both the short- and long-term. Its many advantages, however, are not limited to recruitment and selection; it also provides a framework for other HR policies and programs such as training, compensation, and diversity management. More importantly, it helps you recognize the most effective and efficient use of your organization's human capital in creating a workforce that is - and will continue to be - flexible and responsive in these fast-changing times.

How do we get started?

While variations may exist from one organization to the next, workforce planning generally follows this four-step model:

Step 1: Supply Analysis

The first - and most straightforward - step in workforce planning is to identify the composition (demographics) and capabilities (competencies) of your current workforce. It also involves examining attrition statistics, including resignations, retirements, internal transfers and promotions, and involuntary terminations. Technology - HRIS applications and "skills inventories" in particular - can be an enormously helpful data-gathering tool. Armed with this

information, you can develop a profile of your current staff as it will exist in the future in the absence of management action. In other words, this is what your workforce will "look like" if all recruitment, training, and other HR programs are suspended.

Step 2: Demand Analysis

The purpose of demand analysis is to forecast the competencies that will be required by your future workforce for your organization to be successful. In order to do this, you must first try to predict how the nature of the work will change. Both internal and external influences must be considered. These include business mission, strategies, and goals as well as legislation, economic conditions, technological advances, and market competition. "Scenario planning" is an effective way to systematically evaluate the interplay of multiple variables.

Step 3: Gap Analysis

As the name implies, gap analysis is the comparison of the supply and demand data collected during Steps 1 and 2. The result is the determination of skill surpluses and deficiencies. While identifying competencies that are lacking is an obvious goal of this activity, it is equally important to understand which are in excess. After all, employees with skills that will be needed to a lesser extent - if at all - in several years are of limited long-term value to your organization. No matter how well they perform now, they may eventually become obsolete without corporate intervention. Gap analysis helps you pinpoint who is at risk and proactively deal with each situation as appropriate.

Step 4: Solution Analysis

Solution analysis is the development of strategies for closing the gaps identified in Step 3. Specifically, it is the identification of ways to build skills

that are in short supply and reduce those that are overly-abundant in relation to your organization's projected needs. A variety of targeted recruitment, development, and retention activities can be employed to achieve these ends.

Your solution analysis should be squarely focused on optimizing your current and future workforce. It is important, therefore, that you consider alternatives to traditional "permanent" employees. "Blended staffing" is becoming an increasingly popular business strategy that enables firms to expand and contract their workforce as needed. It involves maintaining a core group of employees possessing skills aligned with the organization's area of specialization, and assigning work that is non-critical to the business to contingent staff. This purposeful mix of fixed and variable workers allows firms to better manage and reduce costs by paying for labor only when they need it. More importantly, it facilitates corporate agility. According to Catherine Candland, founder and CEO of Advantage Human Resourcing: "A Talent provider committed to aligning itself as your organization's strategic partner can help you balance your workforce and adapt to changing market conditions. A customized staffing plan will put the right people in the right jobs at the right time, improving your company's competitive edge and bottom-line results."

Diversity is another important consideration. To quote a previous article on the benefits of a diverse workforce, "Employees experience personal growth as they learn from one another's insights and perspectives, and the organization's ability to innovate, solve problems, and meet the needs of an increasingly diverse customer base is greatly enhanced." To remain competitive - in the consumer marketplace as well as the labor market - your solution analysis must specifically address the challenge of attracting and retaining a talent pool that is highly-qualified and diverse.

Is that all there is to it?

Your efforts will be in vain if the four steps described above occur in a vacuum. Workforce planning is an ongoing process that influences - and is

influenced by - all aspects of an organization. These inter-relationships must be identified, managed, and leveraged for best results. Below are some critical success factors to guide your activities.

- * Draw a direct link between the workforce plan and your company's strategic mission. Unless you are able to clearly communicate a causal relationship - preferably in terms of a quantifiable return-on-investment - you will be unlikely to gain top management support and the necessary corporate resources.

- * While the "blessing" of your organization's management team is essential, it alone will do little to inspire the cooperation of others. An executive-level "champion," on the other hand, will typically generate the buy-in that you need.

- * Involve a variety of key stakeholders in the workforce planning process. At minimum, HR, Strategic Planning, Finance, IT, line management, and any unions should be represented. This ensures that multiple perspectives are considered and gives the plan legitimacy.

- * Be sure to integrate the workforce plan with other HR programs - such as organizational development, succession planning, and career pathing - that are also designed to prepare the company and its individual staff members to thrive now and in the future.

- * Determine the scope of the project up front. Will you run a "pilot" in one or more specified departments, or will you immediately launch the program company-wide? Will you target a few key occupations or your entire staff? (In general, starting small allows you to continually improve the process by building "lessons learned" into each subsequent phase of the rollout.)

- * Assign a dedicated staff member to manage the process. For large-scale projects, additional resources may be necessary.

- * Avoid being overly prescriptive in your workforce plan. Rather, develop a simple model and tools that managers can adapt to their particular needs, and provide training and ongoing support on their use.

Despite this article's emphasis on competencies, many additional factors influence an individual's on-the-job success. According to Ms. Candland, 80%

of job separations - whether voluntary or involuntary - are due to poor "fit." Advantage Human Resourcing therefore uses a multi-dimensional assessment to determine whether a candidate is well-suited for a company's unique needs and work environment. Their Can Do, Will Do, Will Fit approach evaluates a wide range of personal attributes (e.g., motivation, work style, attitude, and professional goals to name just a few), greatly enhancing the work performance and satisfaction of their Associates. Ms. Candland strongly encourages all employers to consider these issues along with skills during the workforce planning process.

- # Communicate the initiative to all levels of the organization, highlighting the benefits it will bring to employees as well as the organization as a whole.

- # Hold managers accountable for adhering to - and achieving desired results from - the workforce plan.

- # Most importantly, do not view workplace planning as a one-time endeavor. Rather, it should be a continuous loop that includes ongoing evaluation of both the inputs and outputs of the process. Specifically:

- * Have the internal and/or external environments changed?

- If the assumptions underlying your solution analysis are no longer valid, it will probably be necessary to adjust your competency profiles and intervention strategies accordingly.

- * Does the workforce plan serve the organization's needs?

- If the desired business outcomes were not achieved, you must examine and reconstruct your methodology and implementation procedures as appropriate.

Is there anything else that we should know?

While future business demands cannot be predicted with absolute certainty, we must do our best to anticipate and prepare for likely possibilities. A workforce plan that is carefully designed and executed transforms the staffing function from a "vacancy-filling" role to one that continually ensures alignment between an organization's human capital and its strategic goals. This not only

improves employee utilization, but also the company's overall effectiveness and competitive positioning.

Even if your forecasted competency requirements prove inaccurate, a comprehensive workforce planning process has built-in triggers to get you back on track. Additionally, the very exercise will have enhanced your firm's ability to respond swiftly and intelligently to changing conditions.

Today's fast-paced business world shows no signs of slowing down. Can your organization afford not to keep up?

A guide to strategic human resource planning

1. Introduction

A comprehensive Human Resource Strategy plays a vital role in the achievement of an organisation's overall strategic objectives and visibly illustrates that the human resources function fully understands and supports the direction in which the organisation is moving. A comprehensive HR Strategy will also support other specific strategic objectives undertaken by the marketing, financial, operational and technology departments.

In essence, an HR strategy should aim to capture "the people element" of what an organisation is hoping to achieve in the medium to long term, ensuring that:-

- it has the right people in place
- it has the right mix of skills
- employees display the right attitudes and behaviours, and
- employees are developed in the right way.

If, as is sometimes the case, organisation strategies and plans have been developed without any human resource input, the justification for the HR

strategy may be more about teasing out the implicit people factors which are inherent in the plans, rather than simply summarising their explicit "people" content.

An HR strategy will add value to the organisation if it:

- articulates more clearly some of the common themes which lie behind the achievement of other plans and strategies, which have not been fully identified before; and
- identifies fundamental underlying issues which must be addressed by any organisation or business if its people are to be motivated, committed and operate effectively.

The first of these areas will entail a careful consideration of existing or developing plans and strategies to identify and draw attention to common themes and implications, which have not been made explicit previously.

The second area should be about identifying which of these plans and strategies are so fundamental that there must be clear plans to address them before the organisation can achieve on any of its goals. These are likely to include:

- workforce planning issues
- succession planning
- workforce skills plans
- employment equity plans
- black economic empowerment initiatives
- motivation and fair treatment issues
- pay levels designed to recruit, retain and motivate people
- the co-ordination of approaches to pay and grading across the organisation to create alignment and potential unequal pay claims
- a grading and remuneration system which is seen as fair and giving proper reward for contributions made

- wider employment issues which impact on staff recruitment, retention, motivation etc.
- a consistent performance management framework which is designed to meet the needs of all sectors of the organisation including its people
- career development frameworks which look at development within the organisation at equipping employees with "employability" so that they can cope with increasingly frequent changes in employer and employment patterns
- policies and frameworks to ensure that people development issues are addressed systematically : competence frameworks, self-managed learning etc.

The HR strategy will need to show that careful planning of the people issues will make it substantially easier for the organisation to achieve its wider strategic and operational goals.

In addition, the HR strategy can add value is by ensuring that, in all its other plans, the organisation takes account of and plans for changes in the wider environment, which are likely to have a major impact on the organisation, such as:

- changes in the overall employment market - demographic or remuneration levels
- cultural changes which will impact on future employment patterns
- changes in the employee relations climate
- changes in the legal framework surrounding employment
- HR and employment practice being developed in other organisations, such as new flexible work practices.

Finding the right opportunity to present a case for developing an HR Strategy is critical to ensuring that there will be support for the initiative, and that its initial value will be recognised by the organisation.

Giving a strong practical slant to the proposed strategy may help gain acceptance for the idea, such as focusing on good management practice. It is also important to build "early or quick wins" into any new strategy.

Other opportunities may present the ideal moment to encourage the development of an HR Strategy:-

- a major new internal initiative could present the right opportunity to push for an accompanying HR strategy, such as a restructuring exercise, a corporate acquisition, joint venture or merger exercise.
- a new externally generated initiative could similarly generate the right climate for a new HR strategy - e.g. Black economic empowerment initiatives.
- In some instances, even negative news may provide the "right moment", for example, recent industrial action or employee dissatisfaction expressed through a climate survey.

2. Making the HR Strategy integral to the organisation

The human resources practitioner should ensure that the HR Strategy is integrated with broader organisational objectives. Above all, it should ensure that the rest of the organisation accepts the Strategy. To achieve this objective, practitioners should:-

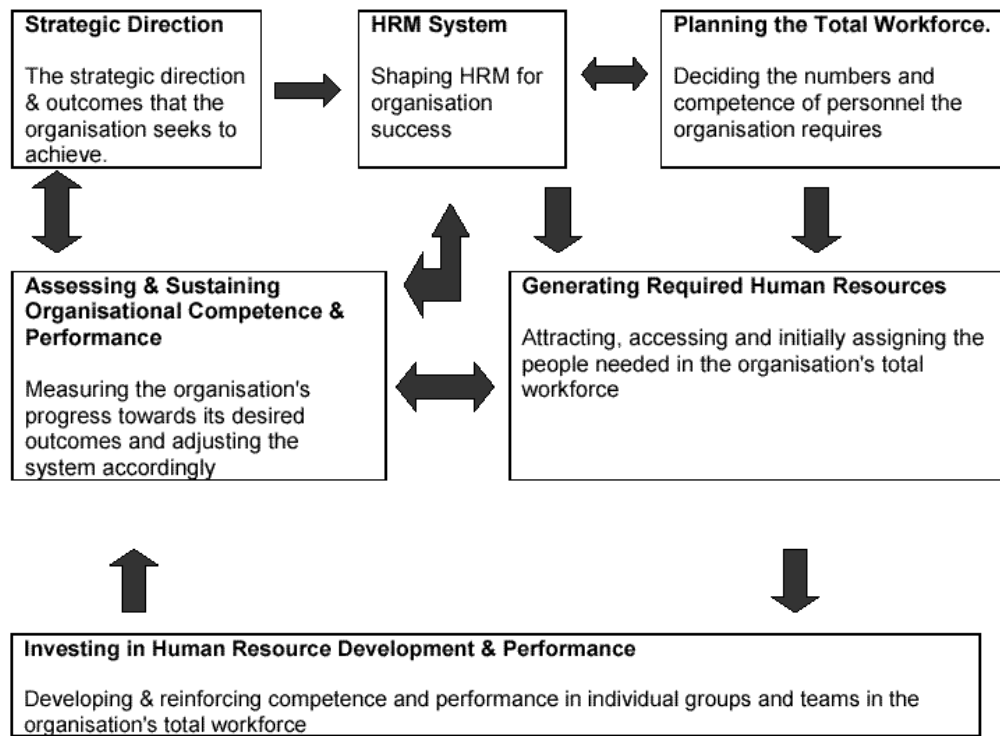
- consult all stakeholders on the nature of the strategy;
- cultivate and develop allies and supporters of the strategy through the consultation process;
- focus on the benefits which are being derived from the strategy through talking to and persuading others, and by marketing the benefits of the strategy with concrete examples of how it has helped;
- check that there is real commitment to the strategy at all levels of the organisation;
- give regular feedback on the implementation of the plan through employee newsletters, exhibitions etc;

- where possible, build into the strategy quantifiable outcomes which can be easily monitored and evaluated, so that it is possible to show the effect;
- make the strategy part of the induction process - especially for senior managers.

3. A strategic human resource planning model

There is no single approach to developing a Human Resources Strategy. The specific approach will vary from one organisation to another. Even so, an excellent approach towards an HR Strategic Management System is evident in the model presented below. This approach identifies six specific steps in developing an HR Strategy:-

- 1. Setting the strategic direction**
- 2. Designing the Human Resource Management System**
- 3. Planning the total workforce**
- 4. Generating the required human resources**
- 5. Investing in human resource development and performance**
- 6. Assessing and sustaining organisational competence and performance**



Source: A Strategic Human Resource Management System for the 21st Century. Naval Personnel Task Force, September 2000

The six broad interconnected components of this system consist of three planning steps and three execution steps.

The top three components represent the need for planning. Organizations must determine their strategic direction and the outcomes they seek. This is usually accomplished with some form of strategic planning. Classic strategic planning is a formal, top-down, staff-driven process. When done well, it is workable at a time when external change occurs at a more measured pace.

However as the pace and magnitude of change increases, the approach to strategic planning changes substantially:

- First, the planning process is more agile; changes in plans are much more frequent and are often driven by events rather than made on a predetermined time schedule.

- Second, the planning process is more proactive. Successful organizations no longer simply respond to changes in their environment, they proactively shape their environment to maximize their own effectiveness.
- Third, the planning process is no longer exclusively top-down; input into the process comes from many different organizational levels and segments. This creates more employee ownership of the plan and capitalises on the fact that often the most valuable business intelligence can come from employees who are at the bottom of the organizational hierarchy.
- Lastly, the strategic planning process less reactive and more driven by line leadership.

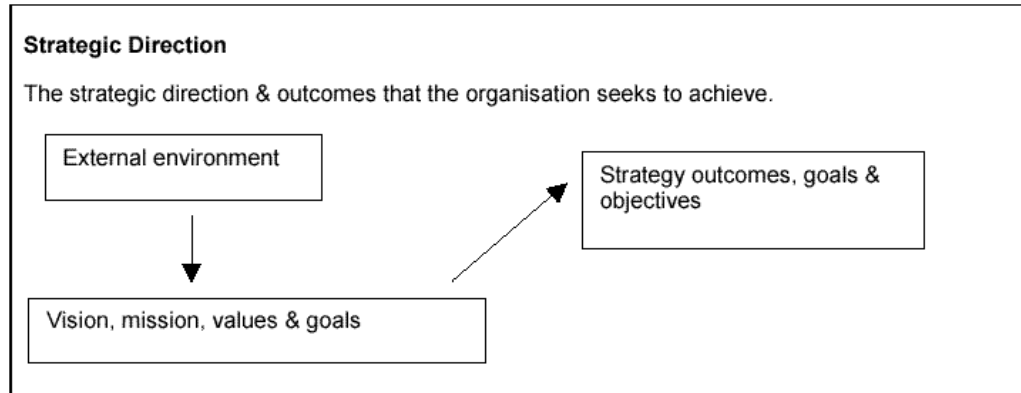
Once strategic planning is under way, a process must be undertaken by the organization to design and align its HRM policies and practices to provide for organizational success. The remaining step in planning is to determine the quality and quantity of human resources the organization needs for its total force.

The rest of the HR strategic system exists for and is guided by these plans, policies, and practices. These execution components contain mechanisms that generate the correct skill sets, invest in staff development and performance, and productively employ them in the organisation. The last component provides a means to assess and sustain the competence and performance of the organization and the people in it with regard to outcomes that the organization seeks.

4. Analysis

Using the process model discussed earlier, the specific components of the HR Strategic Plan are discussed in greater detail below.

4.1 Setting the strategic direction



This process focuses on aligning human resource policies to support the accomplishment of the Company's mission, vision, goals and strategies. The business' goals sit at the heart of any HR strategy and in order to align business and HR you need to answer one key question, "Can your organisation's internal capability deliver the organisation's business goals?"

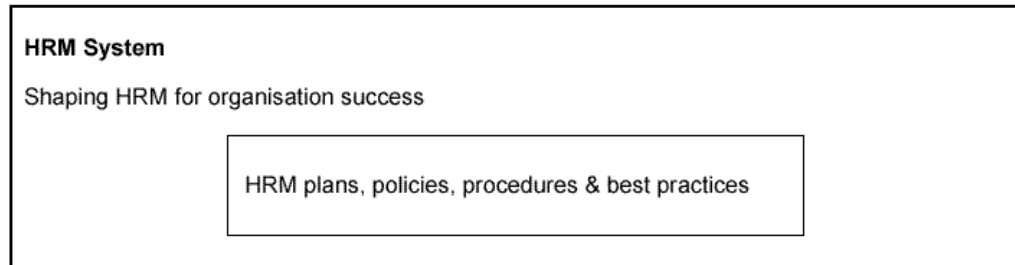
Many organisations cite their people as their primary source of competitive advantage. Successful companies continuously identify and adopt innovative human resource management policies and practices to sustain that advantage. More importantly, they structure work and design training, performance management, pay, and reward policies to help members of the organization succeed in achieving desired organizational outcomes. In other words, they integrate and align HRM policies and practices to reinforce employee behaviors that can best realize the leaders' strategic intent. In the most successful companies, the set of policies and practices that collectively make up a company's HRM system is the critical management tool for communicating and reinforcing the leaders' strategic intent.

Recommended actions:-

- Conduct an external environmental scan and evaluate its impact on the organisation
- Identify the organisation's vision, mission and guiding principles
- Identify the mission's outcomes and strategic goals

- Consult all relevant stakeholders
- Evaluate the impact of legislation on the organisation

4.2 Designing the Human Resource Management System



This stage focuses on the selection, design and alignment of HRM plans, policies and practices. Various options may be open to the organisation such as drawing on industry best practices.

Emerging HRM policies and practices range from outsourcing certain non-core functions, adopting flexible work practices (telework, work from home) and the increased use of information technology. Not every industry trend may be appropriate for a specific organisation. In addition, it is essential that a cost-benefit analysis of implementing new HRM policies and practices be undertaken. For example, the costs (monetary and in allocation of resources) of implementing a new job grading system may outweigh the benefit of such an undertaking. There may be more cost-effective alternatives available to the organisation at this point in time.

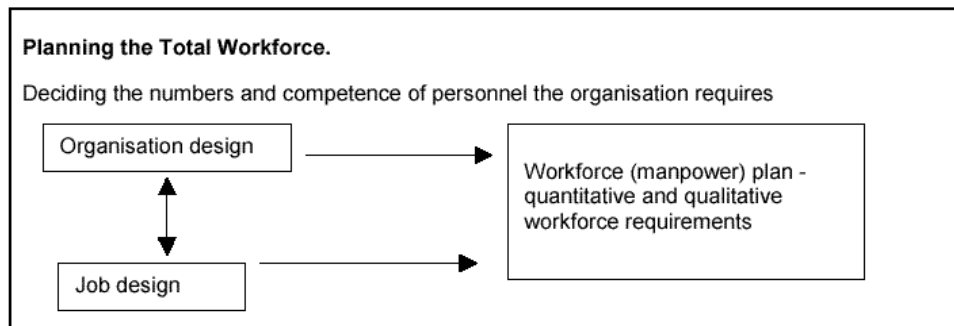
Particular HRM policies and practices may be necessary to support strategic organisational objectives, such as improving the retention of women in the organisation or promoting diversity, especially the representation of designated groups amongst senior management.

A good approach in selecting the appropriate HRM policies, procedures and practices is to identify the appropriate HRM practices which support the organisation's strategic intent as it relates to recruitment, training, career planning and reward management.

Recommended actions:-

- Identify appropriate human resource plans, policies and practices needed to support organisational objectives
- Identify relevant human resource best practices
- Conduct an employment systems review

4.3 Planning the total workforce



Determining future business requirements, especially those relating to manpower requirements, represents one of the most challenging tasks facing human resource practitioners.

The development of a workforce plan is a critical component of any human resource strategy and one of the expected outcomes of human resource practitioners activities. Despite this, manpower or workforce planning, as well as succession planning, has only recently enjoyed a resurgence in popularity. To some extent this has been prompted by the need to develop employment equity and workplace skills plans and set numerical employment equity targets. The failure of many organisations to develop and implement workforce planning is rather indicative of the lack of strategic planning itself.

Workforce planning is a systematic process of identifying the workforce competencies required to meet the company's strategic goals and for developing the strategies to meet these requirements. It is a methodical process that provides managers with a framework for making human resource decisions based on the organization's mission, strategic plan, budgetary

resources, and a set of desired workforce competencies. Workforce planning is a *systematic process* that is integrated, methodical, and ongoing. It identifies *the human capital required to meet organisational goals*, which consists of determining the number and skills of the workers required and where and when they will be needed. Finally workforce planning entails *developing the strategies to meet these requirements*, which involves identifying actions that must be taken to attract (and retain) the number and types of workers the organisation needs.

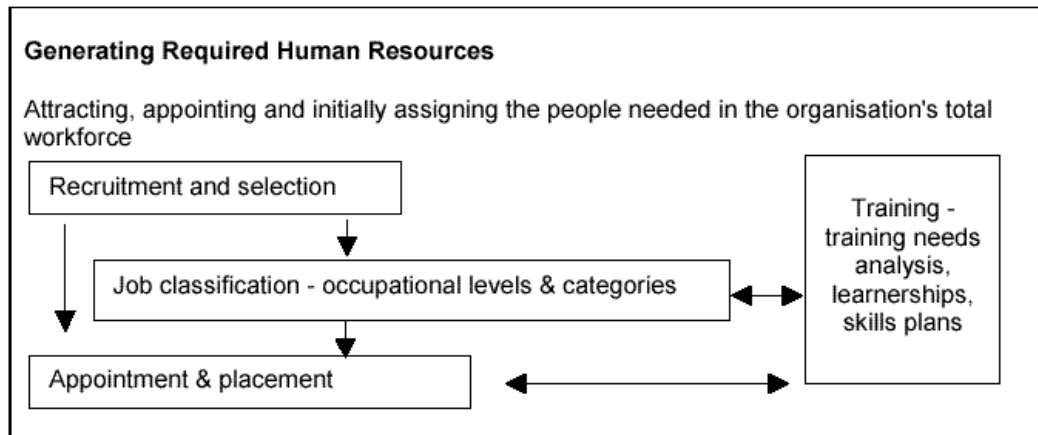
A workforce plan can be as simple or as complex as the organisational requires. Workforce planning can be conducted for a department, division or for the organisation as a whole. Whatever the level or approach being adopted, it must nevertheless be integrated with broad-based management strategies.

In addition to workforce planning, ensure that organisational structure and jobs ensure the efficient delivery of services and effective management of the organisation as a whole.

Recommended actions:-

- Determine the appropriate organisational structure to support the strategic objectives
- Structure jobs (competencies, tasks and activities) around key activities
- Develop a workforce plan designed to support the organisations strategic objectives
- Compile workforce profiles, identifying designated groups, an inventory of current workforce competencies, competencies required in the future and identified gaps in competencies

4.4 Generating the required human resources



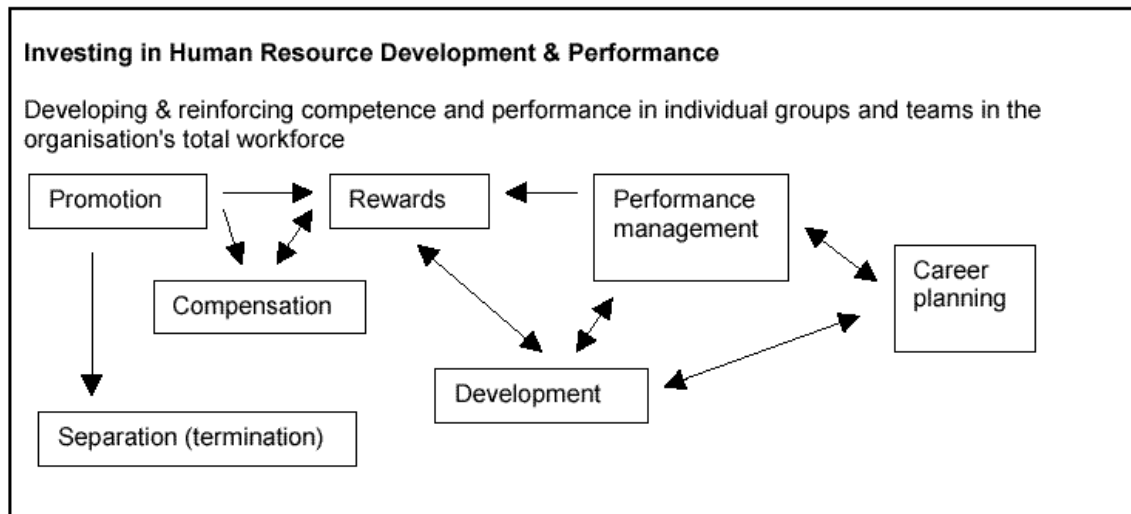
This process focuses on recruiting, hiring, classifying, training and assigning employees based on the strategic imperatives of the organisation's workforce plan.

A comprehensive workplace skills plan will identify appropriate training priorities based on the organisations workforce needs now and in the future. New recruitment practices may need to be adopted to increase the representation of designated groups, or securing essential skills in the organisation. A comprehensive "learnership strategy" may assist in developing future workforce needs, identified either in terms of the organisations workforce plan or required in terms of industry black economic empowerment charters.

Recommended actions:-

- Evaluate recruitment and selection practices in light of the organisation's strategic objectives
- Develop and implement a comprehensive workplace skills plan (with a thorough training needs analysis)
- Implement a learnership strategy
- Adopt or clarify occupational levels and category classifications

4.5 Investing in human resource development and performance



Traditional approaches to career planning, performance appraisals, reward management and employee development must be re-appraised in light of the vision, characteristics and mission outcomes as reflected in the HRM plans, policies, and practices.

Development responses will aim to increase business skills, the application of business skills (sometimes called competencies) and the behavioural elements - all of which contribute to an organisation's effective performance. In many ways, the Skills Development legislation have required organisations to re-engineer their developmental methods and practices. New concepts such as lifelong learning and recognising prior learning should form an integral component of the process of investing in employees.

Clearly, where a workforce planning exercise reveals that there is little projected growth in the workforce or that promotional or career development opportunities are limited, strategies aimed at employee retention will be very different from organisations which are experiencing considerable growth and expansion.

Investment initiatives for the individual, team and organisation are all geared to achieve high levels of organisational performance. It is important that at an

individual level, particularly for senior staff, that they feel their development needs are agreed and that they are provided with the skills to do their jobs. At a team level, it defines the individuals' ability to work flexibly with others and align individual and team skills and activities to business goals - all of which ensures that the organisation is equipped to achieve its goals.

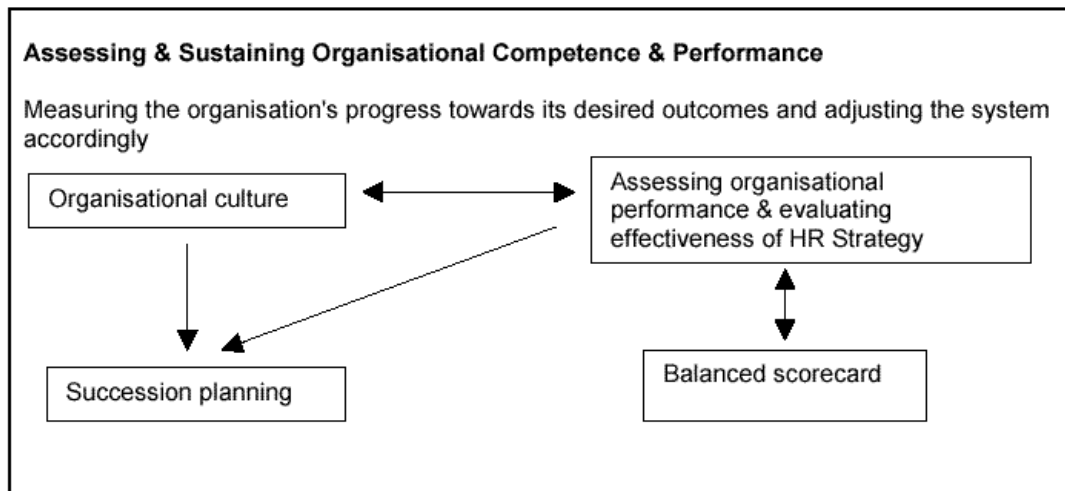
Reward strategies aim to align the performance of the organisation with the way it rewards its people, providing the necessary incentives and motivation to staff. Its components can be a combination of base pay, bonuses, profit sharing, share options, and a range of appropriate benefits, usually based on market or competitor norms and the organisation's ability to pay.

Recommended actions:-

Identify appropriate policies, procedures and practices in respect of

- Career pathing
- Performance appraisals
- Employee development and learning
- Reward Management (compensation and benefits)
- Promotions and job assignments
- Separation

4.6 Assessing and sustaining organisational competence and performance



Finally, few organizations effectively measure how well their different inputs affect performance. In particular, no measures may be in place for quantifying the contribution people make to organizational outcomes or, more important, for estimating how changes in policies and practices, systems, or processes will affect that contribution. Implementing clear quantifiable measures, identifying milestones in the achievement of specific organisational goals, and using concepts such as a "balanced scorecard" will articulate the results of the HR Strategic Plan in measurable terms. Regular evaluation of the plan will also assist in fine-tuning the HR strategic plan itself.

Recommended actions:-

- Evaluate organisation culture and climate
- Implement succession planning
- Evaluate HR strategy using quantifiable measures, e.g. balanced scorecard
- Revise and adapt HR strategy

5. Conclusion

While HR strategies must be developed to support the achievement of the organisation's objectives, it is a two-way process. HR strategies can themselves be critical inputs in determining the strategic initiatives for the organisation. A fatal error, however, is to develop and implement HR strategies without having regard for the goals and objectives which the organisation has explicitly or implicitly identified. A common mistake is the development of workplace skills plans which are not linked to any strategic goals or objectives or which have no affirmative action components.

Similarly, the isolated identification of affirmative action numerical targets without first conducting a workforce and succession planning exercise is in most instances, simply meaningless.

The Drivers for Human Resources Planning

Understanding the cost base:

As every employer knows, the cost of employment extends well beyond the headline salary. Taxes, insurance contributions, pensions, health benefits, vehicle schemes, holidays, maternity leave and training are just some of the additional costs that go with the territory. To these statutory, professional and contractual obligations has to be added the cost of infrastructure, (PC's, floor space, telephony and desks) as well as the 'opportunity cost' of lost productivity through unplanned idle time or sickness.

Although 'people' do not appear on the balance sheet as an asset they are usually the biggest expense in the profit and loss account for service oriented businesses. Recruiting, employing and training people is indeed a costly affair and in the face of increasingly stringent legislation and tighter labour markets, salary costs are effectively a fixed cost which is difficult to shed in a down

turn. So understanding the cost base and its sensitivity to changes in say, recruitment patterns, staff mix and other factors is critical to success.

Matching supply and demand:

Matching the availability of skilled and unskilled resources to market demands lies at the heart of Human Resource planning in a services oriented business. Planning the 'shape' of a people business, that is the proportion of individuals in each band of seniority or grade is critical to the long term health of the business. The appropriate staff mix, i.e. blend of skills, experience and seniority, not only drives profitability in say a law firm or consultancy but is also fundamental to the delivery of customer satisfaction. Too few senior staff could drive poor quality work and low profitability, whereas too many could squeeze margins.

Succession Planning:

Human Resource planning is often a finely tuned balancing act. Planning staff resources in the long term can be especially challenging but is also crucial to the sustainability of a service business. An over abundance of senior personnel can impact profitability in the short term but create long term staff retention problems as younger staff find their careers blocked, with little headroom for promotion. On the other hand, not planning for future leadership could leave the business exposed as senior managers retire with nobody trained to take their place.

Strategic and tactical shifts:

Few businesses in today's economy can afford to stand still. Product offerings have to change in sympathy with market demands and new opportunities, but skill sets can quickly become out of kilter or irrelevant in the marketplace. Anticipating market trends and aligning human resource competencies is a cornerstone of HR Planning. This could involve creating new cost centres, shifting or loaning resources to another cost centre and formulating

completely new compensation and training schemes all of which needs to be anticipated within HR planning.

Compliance and regulation:

Compliance and regulation are increasingly common planning considerations. Minimum wage laws, the EU Working Time Directive and the requirements of professional institutions and training bodies are all examples of regulatory drivers that have an impact on human resource planning. The need to pay a statutory minimum wage (perhaps to support and facilities staff in a professional services firm), or to limit the number of hours a professional is allowed to work during a week, or to allow a prescribed number of days for training and development in order to meet minimum professional standards are all factors that drive cost in an human resources plan.

Equally important are recent changes in Europe brought about by the EU Accounts Modernisation Directive and the Companies Act 2006 in the UK . Under the new legislation, (which is already effective) quoted companies must, “to the extent necessary for an understanding of the development, performance or position of the company's business”, include information about the company's employees and include “where appropriate” non-financial KPIs about its human capital. Although the rules leave room for manoeuvre most companies will find themselves effectively shamed into disclosure because of the need to state very publicly in the Business Review if they have left out employee metrics.

There is little consensus about what KPI's are appropriate to report, nevertheless they are likely to include measures around workforce composition, retention and motivation, skills and training, reward and fairness, leadership and succession. Some of these will therefore need to be incorporated in HR plans and forecasts which will have to cope with a range of financial and non-financial factors in order to predict whether the resulting KPIs are likely to be within acceptable ranges.

Performance management:

Regardless of the burden of compliance, modern organisations need to maintain a close watch on HR performance metrics. In professional services organisations, ratios such as support staff to fee earning staff, or partners to professional staff are leading indicators of future profitability and assumptions used in human resources plans can ensure that forecast KPIs fall within accepted norms for the firm, an industry or sector.

But human resource planning should not be carried out in a vacuum. Assumptions around the rate of hiring new employees, attrition rates, training objectives and global salary increases should be driven by its long term plans so that the shape of the organisation is strategically aligned along with other vital resources such as information technology, production capability, sales and marketing.

Health Human Resources Planning

Planning the supply of and demand for human resources for health is a significant challenge for most countries. Workforce shortages, underemployment and unemployment, skill-mix imbalances and geographical maldistribution are among some of the critical challenges at national level and within organizations Health human resources planning (HHRP) is essential for countries and systems to ensure the presence of workforces capable of meeting the needs of populations. However, ineffective HHRP is a weakness found in many countries. Few countries have planning mechanisms in place that adequately predict future demands for health care and provide for an effective and efficient workforce.^{1,2}

HHRP defined

The objective of HHRP is to provide the right number of health care workers with the right knowledge, skills, attitudes and qualifications, performing the

right tasks in the right place at the right time to achieve the right predetermined health targets.

Benefits of good HHRP

Effective HHRP can result in:

- * Improved health outcomes;
- * Improved health services and a better functioning health system;
- * Greater efficiency (both financial and operational/service) through better utilization of resources; and
- * Improved retention and recruitment.

Common HHRP challenges

The literature points to a number of key HHRP challenges/obstacles encountered by countries. These include:

- * Unclear/poor planning policies, and poor support for strategic planning;
- * Lack of a national HHR plan or, in cases where they do exist, poorly executed or not implemented at all;
- * Lack of a national coordinating body for HHRP;
- * HHR planning which is performed independently and in isolation of other aspects of planning in the health care sector;
- * Inadequate resources and/ or capacity to implement plan;
- * Focus on single profession (“silo”) -specific planning versus integrated approaches;
- * Focus on short term rather than medium and long term planning;
- * Limited consideration of the impact of social, political, geographical, technological and economic factors on HHRP;
- * Lack of adequate and accurate workforce data and information;
- * Lack of access to appropriate/suitable methods and tools needed to undertake the planning process;
- * Lack of clear definitions of the functions and scope of practice for the numerous categories of personnel providing care;

- * Poor communication and coordination between providers, planners, policy makers, employers, education and finance. 3,4

Consequences of poor HHRP

The consequences of poor HHRP can be critical to health systems. These include:

- * Staff shortages; unmet demand for care;
- * Inequitable access to care;
- * Geographic, occupational, specialty and institutional imbalances in workforce;
- * Over qualification or under qualification in the workforce;
- * Mis-utilisation (including under /over-utilisation);
- * High attrition in the workforce;
- * Unemployment or underemployment; and
- * Delayed response to meeting health care trends (i.e. new technology, procedures, etc.). 5

Characteristics of good HHRP

- * Undertaken by appropriately trained personnel;
- * Utilizes appropriate planning tools and methods;
- * Reflects an integrated human resources planning approach which is needs-based, outcome oriented and informed by service planning;
- * Takes into account the influence of social, political, geographical, technological and economic factors that impact planning and deployment decisions;
- * Considers the policy options for addressing imbalances in supply and demand;
- * Based on the health needs of the population;
- * Based on sound workforce data and information;
- * Involves health professionals in the planning process;
- * Involves ongoing monitoring and evaluation of the planning process;

- * Ensures effective and ongoing coordination among policy makers, planners, government, research and administrative stakeholders; and
- * Focused on the short, medium and long term needs. 6 , 7

Principles for effective workforce planning

Buchan 8 describes eight key principles for effective workforce planning. These are:

1. Ensure commitment to and involvement in the planning process by the main functions/stakeholders (e.g. finance, service planners, education providers, public/private sector employers), with clear lines of responsibility and accountability being defined.
2. Build from a structured information base on current staffing, staff budgets and relevant activity whether planning for a ward, organization, region or country.
3. Assess workforce dynamics and “flows” between sectors and organizations within the system being planned for – assessing sources of supply and turnover.
4. Develop an overview analysis to identify need for, and scope for, change.
5. Develop and agree a set of planning parameters linking workforce and activity data.
6. Use “what if” analysis to model different scenarios of demand for services, and related staffing profile.
7. Develop an agreed workforce national plan which aggregates local/ regional plans.
8. Establish a framework to monitor staffing changes in comparison to the plan – develop a cycle of review and update.

Integrated line management and HR planning

1. Introduction

Today's business challenges demand a focused human resources agenda. To close the gap between the "strategic-HR haves" and "have-nots," practitioners need a thoughtful, but practical approach to HR planning to connect people priorities to business priorities, clarify line ownership for HR outcomes, and reach a contract for the responsibility HR people will have across all divisions in (large) organisations. The challenge in the planning process is to deliver depth of thinking without complexity and to do it in a manner that involves line management in the process.

2. How to build an HR agenda

Four elements or tasks need to be accomplished, roughly in sequence, to produce a meaningful HR strategy and agenda:

1. THE COMPANY'S PEOPLE PHILOSOPHIES AND THEMES: Human Resources work becomes a priority for line management when the chief executive and his/her HR Director demonstrate a strong point of view about the role people play in the business. The CEO and the HR Director should provide an umbrella view from the top that defines the role of people in making the enterprise competitive, over-arching themes related to vision, values and business strategy.

2. BUSINESS-UNIT PEOPLE PLANS: A business unit people plan is the second piece of the overall HR agenda. Each business unit develops their own plan. These should be built into the strategic and operating plans of the business units and major functions -- completed jointly by HR and line executives. It represents people planning at the front lines-of-business. These line-of-business people plans are to HR planning what 'competitive strategy' is to strategic planning.

3. COMPANY-WIDE HR PRIORITIES: The objective of this step of the agenda building process is to define the degree of integration or commonality that is needed among HR practices – across the various business units – to move the business forward. Defining the right degree of commonality in HR policy, practice and objectives among HR professionals in the business units is a challenging but healthy dialogue, which needs to be done.

4. HR OPERATIONS PLANS: Many companies have created new roles for HR referred to as a partnering approach for HR. Many transactional (repetitive administrative) practices have been outsourced, and some are now being brought back to the inside of leading companies in shared services centers.

Companies like Warner-Lambert, Motorola, Coca-Cola, and Whirlpool have focused on the need to create new HR-organisation structures and to realign roles in order to separate repetitive and customer service work (such as enquiries about leave, accumulated pensions benefits and so on) from the consultative, and business partnering work. These and other companies have reported significant improvements in delivering strategic results when traditional generalist roles are replaced with more consultative organisation-effectiveness roles, supported by small centralised staffs of expert resources and transactional-service providers. Partnering resources are increasingly assigned directly to line business units, while service activities are aggressively consolidated.

At the heart of this agenda building and partnering process is step 2 – the ability for HR to work directly with corporate and/or SBU top teams to facilitate the development of company wide and business-unit people plans that mesh with and support the strategic plan and priorities of the company and local SBU business plans.

Unless line managers consider workforce issues during the planning process, HR is likely to face impossible challenges and will be doomed to disappoint. HR should not-in fact, cannot-shoulder sole responsibility for workforce-

related issues; business success today requires line managers to assume ultimate ownership of workforce management decisions.

The remainder of this article is a 'facilitator's guide' for an integrated line management and HR planning session. Illustrations and graphics of the major output for each step in the agenda building process are referred to on <http://www.workinfo.com/newsletter>.

The process is summarized from a case study of the work done by corporate HR at Mobil Marketing, part of Mobil Exxon and is reproduced here for teaching and learning purposes only. The material in the case study may not be used for commercial purposes.

3. Facilitator guidelines for an integrated line management and HR planning process

Each SBU top team develops an integrated action plan to address the workforce implications of company's business strategies, and SBU business plans. HR leads the team through a 6-step methodical, two-day process of projecting workforce implications of strategy. The process results in the formulation of metrics and action plans. The goal of the planning exercise is to

develop line ownership of the workforce strategy, and provide HR with a clear, logical connection between the activities of the HR function and the business objectives of the company (or the line unit).

3.1: ESTABLISH A CONTEXT FOR WORKFORCE PLANNING

The central purpose of the first step is to bring the group to consensus on the meaning of and the need for a 'people strategy and agenda'. This accomplishes two things: first, it surfaces any misconceptions or disagreements among the group regarding the definition of a people strategy. This facilitates a rich line-led discussion regarding the need for an HR strategy, engendering line buy-in of the process.

At this two-day workshop the business unit executive review business objectives in light of any issues likely to impact the business. As key input to the discussion, HR uses business-planning methodologies to provide information regarding social, legislative, and labour markets affecting the workforce.

3.2: IDENTIFY WORKFORCE IMPLICATIONS

Using the business objectives as a framework for discussion, the business unit top team identifies potential workforce-related barriers to the unit's success and segments the workforce implications into HR programmes.

Encourage participants to think of 'workforce' in a broad context, to include the people needed (skills, competencies, and experience), the practices/systems/procedures needed, the processes needed (how work gets done), and the structure needed (reporting relationships).

2. Integrated line management and HR planning *

By Jeff Sacht who can be contacted at <mailto:jeffs@worldonline.co.za> or at <http://www.equityskillsweb.com>

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3.3: IDENTIFY WORKFORCE GAPS

The business unit top team uses the output of the previous session to analyse the gap between people requirements and business objectives alignment. The team assigns a value to the relative importance of closing each gap. Quick prioritization focuses line's attention on critical gaps.

3.4: IDENTIFY ACTIONABLE SOLUTIONS TO WORKFORCE GAPS

The SBU top team analysis the effectiveness of current actions in the light of previously identified gaps and discusses any potential new initiatives necessary to close the gaps. Use the following rating scales: High = no initiative in place to address gap; Medium = some initiatives in place, but not sufficient to close the gap; Low = Significant formalised process exists to address the gap.

The clear advantage of a line-led process is that any new initiatives receive explicit buy-in when the top team agrees on the need for various actions. Line endorsement regarding the continuation of current initiatives ensures clear understanding of value-added by each action. Any initiative that is not clearly supporting current business objectives is terminated.

3.5: LINE AND HR AGREE ON OWNERSHIP OF EACH INITIATIVE

The SBU top team breaks down all intended actions into steps, ensuring that all necessary supporting actions are accounted for. For each step, the team assigns responsibility for completion; the natural owner of the step is very often line. Similarly, accountability is assigned for each step; while

responsibility and accountability often have the same owners, in some cases the line is ultimately accountable for the completion of a step.

3.6: DEVELOP MEASURES/METRICS FOR MONITORING RESULTS

The SBU top team develops metrics to gauge progress against action plans. Measures are tracked on an ongoing basis to ensure the successful implementation of the plan. Key measures are integrated into the business unit's performance measurement system such as a balanced scorecard and/or an integrated performance management system. Where possible measures should be linked to employee compensation. Line executives then monitor metrics and performance on projects throughout the year, ensuring that priorities remain in line with current business needs.

4. Revitalising the HR function

The six-step process provides a practical approach to building an HR strategy and agenda for an entire company, or a major business unit within a larger organisation. The process is ongoing, and the work is not simply an addition to the HR function's workloads. Instead, it is the channel through which the right people do the right things and are held accountable for adding value to the business strategy and objectives.

But, how does one take the giant leap forward to transform the HR organisation to partner with line management on an equal footing? Research has shown that this type of change can be successfully achieved only by a total overhaul of HR's:

>> Mission

>> Competencies

>> Processes and systems

>> Structure and role design

This requires an overhaul of how HR work gets done. Those companies that have successfully transformed the HR organisation to be in a position to take on a partnering role have learned the following lessons:

1. Incremental change produces little progress - changes in mission, structure, process, and competencies are required to overcome inertia and other obstacles.
2. A different HR generalist role is needed, in which service fulfillment and partnering work are clearly separated.
3. Ongoing involvement of line partners is critical in the long term and is often the single greatest challenge.
4. Momentum requires risk taking and tangible improvements in processes and work design.
5. New HR competency profiles/models are only likely to help in changing the function if they are applied effectively in selecting people in and out of the HR function, and to support specific development tactics (growing people into these roles over time seldom produces real results for the company or HR)
6. Information systems are a persistent obstacle, but should not be used as a reason for not moving forward aggressively. In any case, the data system is not an effective place to begin.
7. Service centers provide numerous options for consolidating transactional work. Both short-term and long-term solutions need to be planned and acted on.
8. Ultimately, changing HR means returning some so-called 'HR work' to the line organisation; information technology has opened many new options in this regard.

Potential starting points to start the transformation of the HR organisation are to:

>> Determine what strengths within the HR function are needed to support the shift and execute the company-wide objectives and the business-unit people plans.

>> Conduct a study with line leaders to determine whether line currently has the capacity to take ownership for various HR outcomes

>> Agree action plans to close any gaps identified and build capacity for line management to deliver their HR role.

Human resource leaders need to initiate an action-oriented approach to defining a strategic HR agenda in a manner that defines clear roles and relationships among the principle players. This can best be done by involving line leaders in practical, robust dialogue, and concluding agreements that are achievable within the capacity constraints that exist today, and agreeing what is needed for the future, buying in scarce HR talent, weeding out dead wood, and re-skilling line management and HR to take on their agreed roles.

Conclusions

Because the purpose of human resource planning is to ensure that the right people are in the right place at the right time, it must be linked with the plans of the total organization. Traditionally, there has been a weak oneway linkage between business planning and human resource planning. Business plans, where they exist, have defined human resource needs, thereby making human resource planning a reactive exercise. A description of conditions in the 1970s was provided by Walker (1978) in the opening article of the inaugural issue of Human Resource Planning: Companies often give lip service to the importance of human resources in achievement of business objectives, but rarely is

detailed, thoughtful analysis performed.... Personnel professionals, even human resource planning specialists, often are not well informed regarding business planning processes (and rarely have any direct contact with

business planners) and are thus illequipped to introduce linkages between human resource planning and business strategic planning. (p. 1)

This was the state of the art when the first professional association for human resource planners, the Human Resource Planning Society, was founded in 1977. Many organizations now recognize that they can benefit from a two-way linkage between business and human resource planning. With a two-way linkage, business plans are considered somewhat malleable in that they are influenced by human resource considerations, such as the cost and availability of labor. Such organizations realize that profitability requires that business objectives be linked to people-planning activities. If the right people are unavailable, performance goals cannot be met. "A two-way linkage is evident when astute managers no

longer assume that every plan is doable" (Mills, 1985a, p. 48). Recently, some organizations have moved toward having a completely integrative linkage between business planning and human resource planning. In these organizations, organizational effectiveness is facilitated by a human resource executive who is a fully participating member of the top management team. In this case business plans can be substantially modified by the human resource executive, and business results can be substantially improved.. For example, Don Rush, vice-president and chief executive officer of Weyerhaeuser Forest Product Company's Washington division, believes that "by integrating HR and business planning, we have 500 salaried people doing more than 1,200 did; we have improved teamwork, morale, commitment, and profitability" ("The HR Edge," 1988, p. 1). Such integration is likely to spread among the most competitive U.S. organizations. As this happens, the relationships that were illustrated in Figure I among human resource planning activities and those between human resource and business planning should become more common. Unfortunately, it is beyond the scope of this article to include a description of the management processes that organizations are using to achieve complete integration between their human resource and business planning activities, but interested readers are encouraged to read the discussions provided by Golden and Ramanujam (1985), Dyer (1986), Mirvis (1985), and Schuler (1988). Human resource planning becomes more complex as the time horizon for planning stretches further into the future, so it

is not surprising that companies become involved in longer term planning activities only after becoming proficient in shorter term planning activities. Mills (1985b) found support for this pattern in his study of the planning practices of 291 organizations. An evolutionary pattern, going from mastery of techniques for short-term planning to development of long-term planning capabilities, is also evident in the related technical and scientific literatures on planning. Much of the research conducted by I/O psychologists has been directed at improving short-term outcomes such as attracting applicants, maximizing performance, and minimizing dissatisfaction and stress in order to retain valued employees. Currently, there is a growing awareness that these activities need to be clearly and explicitly linked to improving organizational productivity, quality, innovation, and employee satisfaction and involvement (see Campbell & Campbell, 1988). It seems clear that human resource management in general, and human resource planning in particular, will become more closely tied to the needs and strategies of organizations. As this occurs, human resource planning will be the thread that ties together all other human resource activities and integrates these with the rest of the organization. With the growing recognition that different types of organizations require different human resource practices (see, e.g., Kerr, 1982; Miles & Snow, 1984; Schuler, 1987), human resource planners are being challenged to develop packages of practices that fit the unique needs of their organizations and contribute to effectiveness. Research that will assist planners in the development and implementation of integrated human resource systems is urgently needed. Also needed is research on the change process. Organizations of the future are likely to be in a state of continuous change and uncertainty. Human resource planning is likely to be seen not only as the thread that ties together all human resource practices, but also as the instrument for establishing and signaling when and how practices should change. In other words, human resource planners are likely to take on the role of organizational change agents (Beer & Walton, 1987). To be effective in this role, they will need to adopt a systems perspective for understanding how the behaviors of individuals influence and are influenced by the larger organizational context. As organizations change more quickly, so will the knowledge, skills, and behaviors needed from employees. This means that

people working in organizations will be asked continually to adjust to new circumstances. Assessing and facilitating peoples' capacity for change are two activities that psychologists are likely to be called on to do, yet there is very little research available to consult for guidance. Whereas organizations are seeking changes from employees, employees will be demanding that organizations change to meet the needs of the increasingly diverse work force. Research designed to help us understand how organizations can establish and maintain employee flexibility and adaptability is likely to make an important contribution. Thus a final challenge in human resource planning is balancing current needs-of organizations and their employees-with those of the future. The criterion against which this balancing act is measured is whether employees are currently at the right place doing the right things but yet are ready to adapt appropriately to different activities when organizational change is needed. Similarly, I/O psychologists involved in human resource planning can use the effectiveness of their current activities and their readiness to engage in the new activities needed to face the challenges of the future as the criteria against which they evaluate their own performance.

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